Analytical procedures

- A practice based approach

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Preface

We would like to thank the auditors who participated in this study. Providing us with your time and answers made this thesis possible.

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A final thank you goes out to our families who encouraged us throughout this thesis, especially Malin Unander-Scharin who helped us with graphical details.

Success is not final, failure is not fatal: it is the courage to continue that counts.
– Winston Churchill

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Abstract

Analytical procedures are an important type of evidence gathering method for an auditor. They consist of evaluations of financial information through analysis or plausible relationships among both financial and non-financial data. In other words, analytical procedures refer to the analysis of significant ratios and trends in order to find inconsistencies with other relevant information or deviations from amounts predicted by the auditor.

Several studies have been performed on analytical procedures but there is still interesting to study it. First of all, changing environment for auditors like the implementation of ISA, the new standards on auditing has modified the way auditors work with financial audits, furthermore, ISA put more emphasis on analytical procedures. Secondly, research has shown that analytical procedures can be performed in various ways and that the practice is in some sense dependent on the auditor’s judgment, hence, judgment problems might occur.

As analytical procedures are influenced by individual judgment, it becomes interesting to study the factors that influence the practice of analytical procedures, a focus emphasized in practice theory. Practice theory emphasizes the doing of actors in organizations and focus on the everyday activities. Practice theory aims to respect both the efforts of individual actors and the workings of the social’s influences to practice.

This study will with the influence of practice theory try to answer the following research question: How are analytical procedures (APs) performed by auditors, and what factors causes that practice?

The purpose of this study is to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs using a practice based approach.

To accomplish this, we have made a qualitative study with a case study design using multiple cases. We have performed semi-structured interviews with auditors employed at any of the Big 4 firms (Ernst & Young, Deloitte, KPMG and PwC).

The results of this study indicates that analytical procedures can be useful in various ways and have the potential to streamline the audit process and save time and money for audit firms if performed and interpreted in a correct and efficient way. Furthermore, we have been able to provide a rich description on the factors that either separately or together influences the practice of analytical procedures. They include macro factors like organizational influences as well as micro factors like individual attributes.
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ABBREVIATIONS

APs – Analytical procedures
CPA – Certified Public Accountant
FAR – The swedish association for certified public accountants
IAASB – International Accounting Auditing Standards
ISA – International Standards on Auditing
PSF – Professional service firm
RS – The swedish auditing standards
1. Introduction

This part of the thesis provides an insight into the issue that we have chosen to base this study on. It consists of a problem background, which leads down to the research question and the purpose of this study.

1.1 Problem background

“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, 2010, p. 10).

In other words, a financial audit is an independent review of a company performed in order to ascertain the validity and reliability of financial statement information with a view to express an opinion. The audit opinion is intended to provide reasonable assurance that the financial statements are presented fairly, in all material respects and give a fair view in accordance with the financial reporting framework. An audit provides the audited firm with better control of its operation, a quality marking on how well routines and processes are working as well as an assurance that financial statement information is correct. From external point of views, an audit creates quality assurance that financial statement information are presented fairly in all material respects. Hence, facilitates relations with the firm’s stakeholders. (FAR, 2013; PwC, 2013)

A single auditor, operating as a sole owner of an audit firm, can audit small organizations. Auditing larger organizations requires substantially more resources than a single auditor. Thus, audit firms can range from single proprietor to large global organizations. The largest audit organizations are often characterized as the Big 4 and comprise of: Ernst & Young, Deloitte, KPMG and PwC. These organizations are able to serve clients throughout the world with their widespread audit network and collectively their revenues exceed 100 billion dollars and employ approximately 690,000 people (Big4.com, 2012).

Auditing is a professional practice performed by auditors. An auditor is an individual qualified to conduct audits. There are four types of auditors; external auditors, internal auditors, government auditors and forensic auditors. The most common is the external auditor (referred to as auditor from now on) and is an individual outside the audited company who performs independent audits (Nilsson, 2012). An auditor is by law compelled to follow certain guidelines/rules when performing audits, these are called auditing standards.

Auditing standards serves as a guideline for, and a measure of, the auditor’s performance. Standards help ensure that financial statements audits are conducted in a thorough and systematic way that produces reliable conclusions (Eilifsen, 2010, p. 51). The auditing standards that are in use in Sweden today are the International Standards on Auditing (ISA) which became effective 1st of January 2011 as it replaced Revisions standard I Sverige (RS) (Vinell, 2013). ISA apply to audits of financial statements of entities of all sizes and sectors of the economy, and is widely accepted around the world (Eilifsen, 2010, p. 49-53; Nilsson, 2012).
As previously mentioned, the auditor gathers evidence about business transactions that have occurred during a period. The auditor uses this evidence to compare the assertions contained in the financial statements to the criteria used by management in preparing them. There are numerous ways that an auditor can collect evidence; one method is through analytical procedures.

Analytical procedures (from now referred as APs) are an important type of evidence or evidence gathering method of an audit. They consist of evaluations of financial information through analysis or plausible relationships among both financial and non-financial data (Eilifsen, 2010, p. 85). In other words, APs refers to the analysis of significant ratios and trends in order to find inconsistencies with other relevant information or deviations from amounts predicted by the auditor (Hkiaat, 2009, p 2). Various methods can be used to perform APs, these methods range from performing simple comparisons to performing complex analyses using advanced statistical techniques (IFAC, 2013).

APs were first recommended for audits by the Auditing Standards board in 1978 as a supplement to substantive test of details as a response to increased concerns about audit efficiency and effectiveness (Hirst & Koonce, 1996, p. 458). Although the use of APs have a long history it is only in the last 15-20 years that it has attracted the interest of practitioners, academics and standard setting bodies (Mahathevan, 1997; Samaha & Hegazy, 2010). The reasons that an interest for APs emerged can partly be explained due to auditors search for appropriate ways to reduce audit cost without sacrificing the high quality of audit services as competitive pressures on auditing firms increased (Cho & Lew, 2000, p. 431; Mahathevan, 1997, p. 226). APs are believed to be a low-cost form of audit evidence that can be effective in identifying misstatements in financial statements (Eilifsen, 2010, p. 157).

Auditor uses APs in the planning phase, the substantive testing phase and in the overall review stage of the audit. This basically means that APs can be used throughout the entire audit process. During the planning phase, APs are used as risk assessment procedures. They help the auditor to identify significant matters requiring special consideration later in the audit engagement and are performed to understand the client’s business and industry etc. During the testing phase APs can be used as substantive procedures in collecting appropriate audit evidence, they can be performed together with other substantive procedures and they help to indicate possible misstatements. During the completion phase, APs can be used as part of an overall review of financial statements for the auditor to reach conclusions about the fair presentation of the financial statements. (Hkiaat, 2009, p. 3)

Although many studies have been performed in order to study how APs are actually performed in practice within auditing firms (Hirst & Koonce, 1996; Cho & Lew, 2000; Mahatevan, 1997, Samaha & Hegazy, 2010, i.a.), there is still of great interest to keep studying it. First of all, changing environments for the auditing business such as the implementation of ISA has modified the way that auditors perform their financial statement audits. Secondly, earlier researches have provided results that show that the ways that auditors perform APs differ due to the subjective nature of the activity (Hirst & Koonce, 1996; Cho & Lew, 2000; Mahatevan, 1997, Samaha & Hegazy, 2010). In other words, the standards have provided auditors with discretion on how to perform
and interpret APs. As a consequence, auditors face potential judgment problems as research has shown (Bell & Wright, 1997, p. 73). These judgment problems can lead to several issues which influences audit quality. For example, auditors can rely too much on APs in certain situations which demands more detailed testing. In other situations APs can be inaccurately interpreted. Hkiaat (2009, p. 3) argues that APs are a relatively easy task to perform but the analysis of it requires a good understanding of the client’s business and industry and should therefore be performed by experienced professionals.

**Practice theory**

As APs are influenced by individual judgment, it becomes interesting to study the factors that influence the practice of APs, a focus emphasized in practice theory.

In describing the experience of practice, Bourdieu (1990, p. 81) uses a metaphor of an athlete and his feel for the game. The actions performed on the court or pitches are experienced, as spontaneous and instinctual reactions to the situation, like the location by teammates or opponents etc. Such experience is as much demanded by the situation presented by the game as well as the athlete wants it. Bourdieu (1990, p. 81) argues that much of our day-to-day experience takes on this instinctual feel for the game. As a consequence people instinctually get on with things on the basis of what feels right or seems natural given the present conditions. This complex structure of practice is emphasized and taken into account in the concept of practice theory.

Practice theory has received much attention the last decade and emphasizes the doing of actors in organizations and focus on the everyday activities (Hällgren & Lindahl, 2012, p. 336). Practice theorists aim to respect both the efforts of individual actors and the workings of the social, and overcomes social theory’s dualism in which one school of thought focused too much on individual human actors, neglecting macro factors (individualists) and another who focused too much by large social factors, neglecting micro factors (societists) (Whittington, 2006; Schatzki et al., 2001). In order to emphasize both micro and macro factors, Whittington (2006, p. 615) introduced three core themes in practice theory; **Practices**, **practitioner** and **praxis**. These themes are all interrelated and serve to conceptualize the factors that affect and influence practice. In other words, they are a part of an integrated whole (Whittington, 2006).

**Practices** refer to shared routines of behavior, including traditions, culture, norms and procedures for thinking and acting etc. The emphasis on practices covers broader macro forces as the society as a whole but also, and importantly, organizational factors in which the **practitioner** exist (Whittington, 2006, p. 619). Audit firms’ sells services provided by highly skilled employees and can therefore be seen as a professional service firms. An important organizational factor relating to professional service firm is knowledge sharing, which concerns how knowledge is managed in organizations and specifically, to what level it is shared. All organizational activities that provides for improved knowledge sharing will be crucial for the individual learning as Huber (1991, p. 106) expresses. Furthermore, the culture of the firm is a large factor that influence knowledge sharing in organizations according to (Ipe, 2003, p. 350) and pictures cultures influence to practice. Another factor relating to practices is an organization’s focus on expertise, in other words, how expertise is emphasized, handled and developed. As Teece (2003, p. 902) expresses, the professional service firm is not unlike a research establishment or software development company, meaning that people...
acquisition, training and retention decisions are primary investment decisions, hence, a professional service firm emphasize to the importance of experts.

The *practitioner* is the individual whose activities carries out practice and is referred to the individual auditor in the context of this study. Individual actors should not be seen as mechanically controlled by rules and standards but as artful interpreters of it as Bourdieu (1990, p. 25) expresses. In other words, auditors may interpret and perform various tasks differently depending on individual factors, like different competence levels and ambitions. Stress is another factor that affects the individual, and is an evident factor in audit firms as Larson (2004, p. 1122) argues. How an individual is affected by stress is therefore seen as a factor regarding the practitioner. Moreover, an auditor’s response to time pressure and management targets are further factors that might affect the auditor as Otley & Pierce (1996) mentions.

*Praxis* refers to people’s actual activity in practice (Whittington, 2006, p. 615). Activities are followed in ready ways in some sense according to the situated action. Those ready ways are created through routines, rules and standards etc. For an auditor the International Standards on Auditing (ISA) are rules that an auditor must follow and is therefore an obvious influencing factor to practice. Furthermore, routines in performing different tasks and guidelines from the firm are important factors to take into consideration.

The concept of practice theory has been applied on various organizations and job types including human resource management and project management (Hällgren & Lindahl, 2012; Vickers & Fox, 2010) and present a promising way to address the issues of knowing and learning in organizations in such a way that the richness and depth of practice is given full consideration. By using a practice based approach, we aim to uncover a deep and rich understanding on the factors that causes APs which ultimately can lead to a better insight on how one can understand practice. The enhanced understanding of practice may heavily influence the quality of projects or even an entire organization as Hällgren & Lindahl (2012, p. 341) argues.

1.2 Research Question

*How are analytical procedures (APs) performed by auditors, and what factors causes that practice?*

1.3 Purpose

The purpose of this thesis is to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs using a practice based approach.
2. Contextual framework

This chapter of the thesis is aimed to provide the reader with a basic understanding for auditing, its demand, the audit process and more importantly analytical procedures and the International Standards on Auditing. This along with a presentation of the Big 4 firms and the hierarchal structure of those firms will build context to this thesis.

2.1 The role of auditing

Accounting systems forms an entity’s financial statement information. Those systems capture, record and summarize individual transactions. Entities must design and implement controls to ensure that those transactions are properly initiated, captured and summarized. These individual transactions are grouped and summarized into various accounts balances. Financial statements are finally formed by organizing meaningful collection of those account balances into proper accounts according to the generally accepted accounting principles. (Eilifsen, 2010, p. 16)

The role of auditing is to review that financial statement information in order to ascertain the level of validity and reliability of it. The aim is to provide reasonable assurance that the financial statements are represented fairly, in all material respects and give a fair view in accordance with the financial reporting framework. In other words, is the information provided by the entity correct, and have they presented that information in a correct way (Eilifsen, 2010, p. 15). The end product of an auditors work and which can also be seen as the goal is to issue an audit opinion indicating whether or not the client’s financial statements are free from material misstatements (Trohammar & FAR, 2002, p. 16).

2.2 The demand for auditing

The demand for auditing is commonly explained from an agency relationship between a principal (owner) and an agent (management). The demand for audited accounts occurs due to information asymmetry and agency problems in the relationship between management and investors. Information asymmetry exists between the parties since management typically has superior knowledge about the firm regarding e.g. actual earnings. The agency problem refers to the claim that management has incentive to take actions that maximize their own interests rather than the interest of the investor. Hence, there is a risk that management expropriates capital. To reduce the information asymmetry and the agency problem the agent accepts to be monitored as a part of his employment contract. An audit seems to be the most cost efficient monitoring device as it would be much more expensive for investors to monitor the management themselves. (Nilsson, 2012)

2.3 Key terms

Some key terms in auditing are clarified here in order to enhance the understanding to the concepts explained in this contextual framework.

- Audit evidence – Concerns all information used by the auditor in arriving at the conclusions on which the audit opinion is based. It consists of the underlying
accounting data and any additional information available to the auditor, whether originating from the clients or externally (Eilifsen, 2010, p. 13).

- **Audit tests** – Are used by the auditor to collect evidence during the audit. There are three types of audit tests:
  
  o  **Risk assessment procedures** – Are used to obtain an understanding of the entity and its environment, including its internal control (Eilifsen, 2010, p. 156).

  o  **Test of controls** – Are audit procedures performed to test the operating effectiveness of the entity’s internal controls in preventing, detecting and correcting material misstatements (Eilifsen, 2010, p. 156).

  o  **Substantive procedures** – Are designed to detect material misstatements in a transaction class, account balance and disclosure element of the financial statement. There are two categories of substantive procedures; **Test of details** and **Substantive APs**. Test of details tests transactions for error or fraud. For example, an auditor may examine accounts receivables by examining documents, send confirmations to a sample of invoices etc. This provides the auditor evidence that the recorded amount exists (Eilifsen, 2010, p. 156). Substantive APs will be explained in section 2.5.2.

- **Management assertions** – Assertions are expressed or implied representations by management regarding the recognition, measurement, presentation and disclosure of information in the financial statements and related disclosures. For example, if the balance sheet contains a line for accounts receivable of SEK 1 million, management asserts that those receivables exist (Eilifsen, 2010, p. 64).

- **Material misstatements** - Misstatements are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements (Eilifsen, 2010, p. 13).

- **Reasonable assurance** – A high, but not absolute, level of assurance that the financial statements are free from material misstatements. An audit is in other words associated with a risk that the auditor will not find and report material misstatements (Eilifsen, 2010, p. 76).

### 2.4 The audit process

In order to obtain the information needed to develop and support an audit opinion, an auditor must gather evidence continuously during an entity’s financial year.

First of all, an auditor must obtain a thorough understanding of its client, its business and industry. The auditor must understand the risks associated with the client, how the client is dealing with those risks and what potentially remaining risks can result in material misstatements in the financial statements. Using this understanding, the auditor
can plan the procedures that will produce evidence helpful in developing and supporting his opinion. (Eilifsen, 2010, p. 15)

The figure below shows the audit process broken down to a number of phases. The figure suggests that these phases are sequential but they are actually quite iterative and interrelated in nature as Eilifsen (2010, p.16) expresses.

Figure 1. The audit process (Based on Eilifsen, 2010, p.16)

The phases presented by the figure are further explained here to provide a deeper understanding of the audit process.

**Client acceptance/continuance and establishing an understanding with the client**
First of all, the audit firm needs to decide whether or not they are to accept a new client or to retain the relation with an old client. The audit firm investigates the prospective client. The auditor communicates with the prior auditor, reviews available financial information, communicates with third parties, considers if the prospective client has any circumstances that requires special attentions etc. The purpose of such policies is to minimize the likelihood that an auditor will be associated with a client who lacks integrity (Eilifsen, 2010, p. 16).

**Preliminary engagement activities**
At this early stage the audit engagement team is decided (staffing). The engagement partner will have to ensure that all individuals assigned to the engagement have the proper industry experience and education necessary for the assignment. Furthermore, the engagement partner has to assess that the team is independent of the client and that they comply with ethical standards. (Eilifsen, 2010, p. 17)

**Plan the audit**
The next step is to plan the audit. This is an important and extensive phase which will provide the auditor with prior understanding relating the scope of the audit. Proper planning is important to ensure that the audit is conducted in an effective and efficient
manner. In order to properly plan the audit, the audit team makes preliminary assessments of the client’s business risk and determines materiality. Using that assessment, the audit team assesses risk relating to the likelihood of material misstatements in the financial statements. The auditor may use preliminary APs in the planning phase, such as ratio analysis. From APs the auditors can identify specific transactions or account balances that should receive special consideration. Furthermore, the audit team can through planning assess the need for experts, consider additional value-added services etc. (Eilifsen, 2010, p. 17)

**Consider internal control**

Internal control is an important issue in auditing, and auditors strive to gain an understanding of it. Internal control is designed and affected by an entity to provide reasonable assurance about the achievement of the entity’s objectives in establishing reliability in financial statements etc. (Eilifsen, 2010, p. 187; Elder et al., 2010, p. 290)

Internal control consists of five components that the auditor needs to understand and consider: control environment, the entity’s risk assessment process, the information system and related business processes, control activities and monitoring of controls. The auditor uses the understanding and assessment of internal control to determine the nature, timing and extent of audit procedures. (Eilifsen, 2010, p. 189)

Based on this assessment the auditor may use a substantive strategy that means that the auditor do not rely on the entity’s controls and instead use the substantive procedures as the main source of evidence, which means a more detailed audit. Alternatively, he can choose a reliance strategy that means that the auditors rely on internal controls and the audit will as a consequence be of lesser extent. (Eilifsen, 2010, p. 17)

**Audit business processes and related accounts**

Based on the assessment of the risk of material misstatement and his judgment of internal control, the auditor determines the audit procedures that are necessary to reduce the risk of material misstatements to a low and acceptable level. This part consists of collecting audit evidence by examining the entity’s business processes or accounting cycles in order to determine whether the financial statements are free from material misstatements or not. The overall audit procedures include further risk assessment procedures, test of controls, substantive APs, test of details of classes of transactions and test of details of account balances and disclosures. (Eilifsen, 2010, p. 331; Elder et al., 2010)

**Complete the audit**

When the auditor is finished gathering evidence relating to financial statement assertions, the audit evidence is evaluated in order to form an opinion on the fairness of the financial statements. In order to reach and justify such an opinion the auditor must have gathered sufficient appropriate evidence pursuant to professional standards. (Eilifsen, 2010, p. 18)

**Evaluate results and issue audit report**

The final phase of the audit process is to evaluate results and choose the appropriate audit report to issue. The audit report is the main product or output of the audit and the only document that is typically available for users of audited financial statements. The audit report communicates the auditor’s findings and can broadly be classified as a
report with a modified or unmodified audit opinion. The report with an unmodified opinion is the most common type of report issued. The unmodified report affirms with reasonable assurance that the financial statements are clean and free from material misstatements. A report with a modified opinion means that the auditor has found misstatements in the financial statements that are material and that the entity has chosen not to correct those misstatements. (Eilifsen, 2010, p. 17)

### 2.5 Analytical procedures (APs)

APs are seen as a cost efficient way of collecting audit evidence. They include the consideration of comparison of the entity’s financial information with, e.g. comparable information for prior periods, anticipated results of the entity such as budgets of forecasts, expectations of the auditor such as an estimation of revenue etc. Furthermore, similar industry information such as financial ratios comparisons with entities in similar industries with similar conditions can be used. APs also consist of evaluation of plausible relationships among both financial and non-financial data, like between payroll costs to number of employees as an example. Relationships among elements of financial information that would be expected to conform to a predictable pattern based on the entity’s experience, such as gross margin percentages is another example of a measure that can be used. (Eilifsen, 2010; ISA, 2010, p. 404)

The standard regarding APs, ISA 520, states that various methods can be used to perform APs, these ranges between performing simple comparisons to performing complex analyses using advanced statistical techniques. They may be applied to consolidated financial statements as a whole and/or to components and individual elements of information (ISA, 2010, pp. 404–410). Some examples of such methods and techniques will be displayed in the text that follows.

Analytical procedures may be performed at any of the stages in the audit process: the planning phase, the testing phase (Substantive APs) and the completion phase (Hkiaat, 2009, p. 3).

#### 2.5.1 APs at the planning phase

Before starting with substantive APs, the auditor estimate expected values and choose the methods they are going to use, e.g. financial ratios such as gross margin percentages. The expected results are performed with professional judgment and based on preliminary discussions with the clients. After having performed their APs, the auditor compares the actual values with the expected ones and look for reasons for any significant variations. Variations that are unexplained may indicate a misstatement in the figures in those areas, which will lead the auditor to plan their audit work to devote more time and resources to them. When the usage of APs do not identify unexpected differences the results provide evidence that support management’s assertions. Hence, APs in the planning phase can be seen as an efficient risk assessment procedure. (Eilifsen, 2010)

#### 2.5.2 Substantive APs

The auditor’s substantive procedures in the evidence gathering may be test of details, substantive APs or a combination of both. The decision about what procedure to perform is based on the auditor’s judgment about the expected effectiveness and efficiency to the availability of procedures to reduce audit risk at the assertion level to
an acceptably low level as the standard states (ISA, 2010, p. 404). However, evidence gathered through APs is generally used to complement other substantive evidence gathering methods, rather than being used as a sole source of evidence. (ISA, 2010; Hkiaat, 2009, p. 3)

Substantive APs are generally more applicable to large volumes of transactions that tend to be predictable over time, since patterns of relationships are more easily spotted. However, the suitability of specific APs will depend upon the auditor’s assessment of how effective it will be in detecting misstatements that could individually or together with other misstatements be material according to the standards (ISA, 2010, p. 405).

Different types of substantive APs provide different levels of assurance. For example, the prediction of total rental income on a building divided into apartments, taking the rental rates, number of apartments and rental rates into consideration can provide the auditor with persuasive evidence and may eliminate the need for further verification through test of details. Hence, the use of APs may provide sufficient evidence in this example. In contrast, calculations and comparisons of key financial ratios like a comparison of gross margin percentages as a mean of confirming a revenue figure provides less persuasive evidence and can be combined with other audit procedures. Particular substantive APs may also be considered suitable when test of details are performed on the same assertion. For example, when obtaining audit evidence regarding the valuation assertion for accounts receivables, the auditor may apply APs like comparison of prior year information in addition with test of details on subsequent cash receipts to determine the likelihood of payments. These latter two examples pictures how APs can complement test of details, which APs generally do as previously mentioned. (ISA, 2010, pp. 404–410)

2.5.3 APs at the completion phase
The final stage that APs can be used is at the overall review stage of the audit and the objectives of using APs at this stage is to assist the auditor in making conclusions and evaluating the overall financial statement presentation and its reasonableness. This involves reviewing financial statements and notes (Eilifsen, 2010, p. 168). This final review of the financial statements helps the auditor to assess going concern and to indicate possible misstatements that has not already been discovered and corrected (Eilifsen, 2010, p. 168).

2.6 International Standards on Auditing (ISA)
Auditing standards serves as a guideline for, and a measure of, the auditor’s performance. Standards help ensure that financial statements audits are conducted in a thorough and systematic way that produces reliable conclusions (Eilifsen, 2010, p. 49). The auditing standards that are in use in Sweden today are the International Standards on Auditing (ISA) which became effective 1st of January 2011 as it replaced Revisions standard I Sverige (RS) (Vinell, 2013). ISA is developed by The International Auditing and Assurance Standards Board (IAASB) as well as the international standards on quality control, review and other assurance related services. The standards developed by IAASB are established as global standards and are widely accepted by auditors around the world (Eilifsen, 2010, p. 49-53; Nilsson, 2012). IAASB recognizes that standards need to be understandable, clear, and capable of consistent application. These aspects of clarity serve to enhance the quality and uniformity of practice worldwide. (IFAC, 2013)
ISA applies to audits of financial statements of entities of all sizes and in all sectors of the economy. Collectively the ISAs provide the standards for the auditor’s work in fulfilling the overall objectives of the auditor in an audit of financial statements. It is also important to understand that the ISAs should be interpreted with professional judgment, meaning that an auditor must apply his knowledge and experience to the facts and circumstances surrounding the audit engagement. An audit performed with professional judgment in accordance with ISA should through the design of the standards provide reasonable assurance that the financial statements are free from material misstatements. (Eilifsen, 2010, p. 51)

Some ISAs deal with the auditor’s general responsibilities and others with the application of those responsibilities to specific topics (Eilifsen, 2010, p. 52). Auditors’ work with APs is dealt with in ISA 520.

**ISA 520: Analytical Procedures**

The most significant changes from RSs standards on APs are that there are clearer requirements on structure of how the APs are to be performed, among other things to elaborate expected values in advance. (IFAC, 2013).

ISA 520 contains requirements regarding the usage of substantive APs, APs in the overall review phase and in investigating the results of APs (ISA, 2010, p. 404). From reading the standards it becomes clear why emphasis is put on professional judgment when interpreting ISAs. As an example paragraph A4 states that the decision about which audit procedures to perform, including whether to use substantive APs, is based on the auditor’s judgment about the expected effectiveness and efficiency of the available audit procedures to reduce audit risk at the assertion level to an acceptably low level (ISA, 2010, p. 403). Another example from paragraph A9 states that the auditor shall determine the suitability of particular APs given the circumstances and taking into account the assessed risk for material misstatements (ISA, 2010, p. 405). These examples and several more that can be found in the standards makes clear that the ISAs is more of a general guideline, and leaves a lot of discretion to the auditor on e.g. the extent of APs, what methods to be used, how to interpret APs etc.

### 2.7 Audit firms

According to Eilifsen (2010, p. 55) Small organizations can be audited by a single auditor, operating as a sole owner of an audit firm. Auditing larger organizations however requires substantially more resources than a single auditor. Thus, audit firms can range from single proprietor to large global organizations with thousands of partners. Audit firms are organized as proprietorships, general or limited liability partnerships or corporations (Eilifsen, 2010, p. 56).

Audit firms are often characterized by size and the largest firms are commonly referred to as the Big 4 and are despite of their sizes organized as partnerships (Eilifsen, 2010, p. 55). The Big 4 firms dominate the sector and are according to Kolakowski (2011) major developers of talent within the financial services industry. The Big 4 firms are a result of consolidations in the accounting sector and comprise of: Ernst & Young, Deloitte, KPMG and PwC (Kolakowski, 2011).
The Big 4 firms are significantly larger than the next biggest competitors in terms of employees, revenues, and numbers of Fortune 500 clients. As can be seen in the figure below their accumulated annual revenues exceed more than 100 billion dollars and present steady growth rates after a small downturn as a consequence of the global recession in 2008. (Big4.com, 2013)

![Big 4 combined revenue and growth rate](image1)

**Figure 2. Big 4 combined revenue and growth rate** (Big4.com, 2013)

The Big 4 firms cumulatively employ close to 690,000 staff all over the world, including partners, audit, tax and advisory professionals and administrative staff. As can be read from the figure below, this number has been consistently on the rise from 2004, when cumulative employment was around 435,000 staff. As with the annual revenue, employment growth pictures a strong recovery from the recession. (Big4.com, 2013)

![Big 4 total employees and employment growth](image2)

**Figure 3. Big 4 total employees and employment growth** (Big4.com, 2013)
2.8 Hierarchy in audit firms

Audit firms are typically associated with a hierarchical structure, which indicates that success is measured by how high you climb within the firm’s pyramidal ladder (Brierley & Gwilliam, 2003, p. 431). A hierarchical structure is similar to that of a pyramid with the executive personnel at the top and the associates at the bottom. In an audit firm, this pyramid is built up by partners at the top, managers second, senior workers third and associates and other staff at the bottom in the firm (Eilifsen, 2010, p. 56).

![Hierarchy in Big 4 firms](Based on Eilifsen, 2010, p.56)

**Figure 4. Hierarchy in Big 4 firms** (Based on Eilifsen, 2010, p.56)
3. Theoretical method

In this section we will present our choices regarding the study’s theoretical methods. The aim of this section is to provide the reader with an insight in our pre-understanding, how we view knowledge, what angles we have had towards theory and in what way our literature was chosen.

3.1 Choice of subject

As we introduced in the problem background, this study aim to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs. The main reason for choosing auditing as our subject is foremost due to our education and genuine interest of the audit profession.

The process of narrowing the subject of auditing down to a critical analysis of APs mainly consisted of brainstorming and literature searches. We began by brainstorming in different fields of auditing, fields where we could see that there was a research value. Following the brainstorming section came a heavy literature search from where we could see the amount of previous research and also get an understanding of the value and possibility to perform such a study. This process continued until we came across the subject of APs.

We have previously both been studying the ISA framework, which also includes APs, so we could both relate to what APs entailed in theory. With this preconception in mind we could also see the problematic with APs, i.e. that it is a method that can be interpreted differently depending on who is reading the standard. With this at hand, we consider APs to be an element in the audit that is abstract and can be hard to grasp, hence our hope to provide significance to the term APs.

3.2 Pre-understanding

Our own experience of APs is limited. We have only had one course at university level that solely has handled auditing and the ISA framework. However, we consider that course to have provided us with some basic theoretical knowledge regarding APs which have been beneficial in our interpretation and analysis of the work with APs. The fact that we do not have any personal experience of working with APs have on the other hand, in our opinion, prevented assumption being made and beliefs and values of the method to inflict in the study.

We also handle the organization and the individual in relation to APs in this study. These are variables that we have had experience from throughout our university studies in courses concerning organizational management and behavior. Having these experiences have benefited us in identifying possible factors to focus on in each of the elements in practice theory: practices, practitioner and praxis.
3.3 Theoretical approach

Doing a research that examines a specific activity; exploring how it is performed and seeking to explain what factors causes that performance demands a deeper understanding. This understanding involves gaining an insight in how APs are performed and exploring what the underlying factors influencing this activity from an organizational and individual perspective. In order to provide significance to the term APs, gaining such an understanding is essential.

The approach a study has, will mostly concern what role theory will have during a study (Bryman, 2011, p. 11). There are mainly two approaches one can take in business research; deductive or inductive. The deductive approach concerns the testing of theories where the theories are the basis for your research, while induction involves the making of theory where theory serve as a complement throughout the research process (Saunders, 2009, pp. 124–126).

This study does not aim at testing the performance of APs since we do not want to make any premature assumptions that might harm our objectivity, rather the purpose is to build an understanding of what underlying factors influence the work with APs from where we can draw conclusion of why auditors do as the do. Hence, in general is an inductive approach in line with the purpose of this study since we want to build an understanding from the participating auditors’ point of view. However, the construction of our interview guide has advanced from the theories used. Thus, you can argue that we have elements in the execution of this study similar to that of a deductive approach.

3.4 Research philosophy

The research philosophy concerns the view, or perception of knowledge in this study, which according to Saunders (2009, p. 107) relates to “the development of knowledge and the nature of that knowledge”. We will guide you through this study’s choice of epistemological and ontological position, which will strengthen our view of knowledge.

3.4.1 Epistemological position

Taking the purpose of this study in consideration, we see that interacting with those who perform APs creates knowledge. Epistemology concerns exactly that, what we regard as acceptable knowledge and what position we, as researchers, have towards how knowledge is created (Saunders, 2009, p. 112).

Bryman (2011, pp. 15–16) suggests that you can either (i) have the position that the principles of natural sciences should be applied to the studies of the social world, or (ii) that the social world should be seen as separate from that of natural sciences and interpreted accordingly. Only accepting knowledge as created by applying a method of natural sciences to that of what has been observed, i.e. keeping us at a distance, will not create an understanding of the factors affecting actions by auditors. Contrary, the latter position refers to hermeneutics and corresponds to our view of knowledge, that human actions interpreted and contexts understood create knowledge (Bryman, 2011, p. 563), and is therefore the position we have taken in this study.

In hermeneutics, the researcher has to interpret the data collected using his own mind and thereby imposing personal experiences, values and beliefs in the study. This is not necessarily a disadvantage since our own knowledge in the subject of APs might be
useful in order for us to interpret the answers in the best possible way. Our view is that the mind of the researcher has an important part in explaining human actions and that his or her experiences are necessary for the analysis and conclusion. Trost (2005, p. 113) explains that there are not many today that believe one can be objective, but rather that we should seek to limit the influence of our opinions in the research. Hence, we will strive to minimize the influence of our personal opinion and beliefs, which in contrast to experiences are factors that can cause preconceived conclusions being made.

### 3.4.2 Ontological position

As Saunders (2009, p. 110) defines, ontology is the doctrine of reality and concerns what the study view as the “nature of reality”. The perception of social phenomena has a central point in ontology, where it can either be viewed as being external from social actors (objectivism) or that these phenomena are constantly worked at by social actors (constructionism) (Bryman, 2011, p. 21).

We will look at APs as having nature that is dependent on the individual. This means that we will view auditors as having their own interpretation of APs, and those interpretations might be performed similarly or dissimilarly depending on whom you ask. This descends from an understanding we have that APs performed by auditors might differ from person to person, which is in line with that of constructionism that the actions of individuals creates social phenomena (Saunders, 2009, p. 111). Thus, we consider an auditor performing APs will shape that activity. We will also take the view that ISA standards shape the practice of APs in consideration, which assesses that auditors follow these guidelines and that the performance of APs might have an existence that is external from auditors.

However, our view that auditors shape the activity of APs suggests that we only have a constructionist view of social phenomena. Saunders (2009, p. 111) says that if you view the individuals’ impact on social phenomena higher than their objectivity in doing the practice, the constructionist position should be applied.

### 3.5 Secondary sources

For our theoretical framework we have used a combination of scientific articles, mostly peer-reviewed, that can be found in the EBSCO database and books found in the university library at Umeå University. In order to get hold of the articles we have mainly used three sources, one of which is the search function on EBSCO. Further, we have also used Google Scholar as we consider its search function to be more accurate than EBSCO in some instances, but all articles found at Google Scholar has later been double in EBSCO so that they fit all criteria.

When searching on EBSCO and Google Scholar, our main key words where the following:

- Analytical procedures
- Practice theory
- Professional service firms
- Audit firms + Expertise, Stress, Knowledge sharing, Job motivation

_Criticism of secondary sources_
Overall, we consider that the literature we have chosen to include in this study to be of high standards. Any sources that have been questionable in its originality and reliability has either been backed up by an additional source or completely excluded from the theoretical framework.

First, we have to consider if what is written in the books and articles are legitimate and trustworthy. All books we have borrowed have been from the library at Umeå University and they are mostly original sources, thus we believe all of the books used to be of high standards. Since we have, to the utmost, used peer-reviewed articles, thus, we consider them to be both legitimate and trustworthy. However, those articles that might not have been identically scrutinized could be argued not to fill the requirements. We have used a variety of articles in each field of theory, which have meant taking the views of several authors in consideration. Connecting this with our requirement of peer-reviewed articles has in our opinion provided us with security when using the theories in e.g. the analysis, thus not harmed the study.

Another concern is if the literature we have used is taken from its primary source, which prevents findings to be extracted from their original context. In some instances we have used conceptual articles where the authors present and discuss the findings of other researchers. If we have considered an article to be of great value, we have chosen to include it. If this article has shown to be a conceptual article, such as Hällgren & Lindahl (2012) and Ipe (2003), we have to the utmost tried to find all primary sources for the parts used.

We have used a mix of recent articles and books as well as older ones. The older material used has mostly been primary sources such as Collins & Killough (1989), McClelland & Boyatzis (1982) and Bourdieu (1990), which as we previously discussed was used in order to provide reliability to our theories. Instances in which we have strived to use recent published literature are foremost in order to get empirical evidence that is up to date. Overall, there are not many recent studies in the fields that we have focused on in this study which have resulted in that the average publish date is a few years back in time.

### 3.6 Ethical considerations

Ethical issues are important aspects to take in consideration when conducting a qualitative research. They arrive at a variety of stages in business research and it is important for a researcher to discuss (Bryman, 2011, p. 122). The ethical issues that we have considered in our research regard how we treat our respondents and how we choose to present and analyze our findings. This will be more thoroughly discussed in the practical method in which we in detail present the different stages in our research process.
4. Theoretical framework

This part of the thesis will present the theories we have chosen in order to support our study. We will start off by shortly presenting the framework of our theoretical approach and continues with a more thorough review of each single theory. This will provide the reader with an insight of the concept of practice theory and an understanding of how the various theories chosen relate to this study.

4.1 Choice of Theories

The purpose of this thesis is to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs using a practice based approach.

This approach has led us to use a theoretical approach called practice theory. Practice theory focuses on the doing of individuals and provides us with framework to help us accomplish this study. Practice theory aims to respect both micro and macro forces in order to capture the complexity of practice. As a response to accomplish this, organizational and individual specific theories will be used to support and complement the practice based approach in order to study, analyze and draw conclusions from auditors practice with APs. The figure below aims to clarify our theoretical approach in which practice theory is the main theoretical area complemented by organizational and individual specific theories in our attempt to include as many inputs as possible that we find to be influencing to practice. The theories are not treated as mutually exclusive, instead they serve to be a part of an integrated whole to understand the complexity of practice.

Figure 5. Theoretical approach
4.2 Practice theory

Practice theory has emerged over the past decades as an important challenger to common ways of thinking about human life and sociality (Schatzki et al., 2001). As Gherardi (2009, p. 115) expresses it, practice has been rediscovered in managerial and organizational studies in recent years and has become a buzz word in academic surroundings. A main reason for that is that a practice based approach is a promising way to address the issues of knowing and learning in organizations in such a way that the richness and depth of the phenomenon is given full consideration. Practice is far from being a place of mechanical repetition instead practice is the key to the comprehension of knowledge-related phenomena. It is in practice, that knowledge comes to life, stay alive and fades away as Nicolini et al. (2003, p. 26) discusses.

The emphasis on practice has partly emerged from strategy and how it is treated. Traditionally the strategy discipline has treated strategy as a property of organizations, meaning that any organization has some kind of strategy. However in the recent decades strategy is being seen also as a practice. Hence, strategy is something people do (Whittington, 2006, p. 612). Whittington (2006, p. 613) argues that the recognition of strategy as a practice points in two directions. First, researchers are invited to dive deep into organizations to engage with people’s strategy activity in all its intimate detail. Secondly, we are confronted by the aggregation of all this activity into a bigger phenomenon that has effects on society at large. The growing engagement with activity in the strategy discipline fits with a wider ‘practice turn’ in social theory which has gathered momentum since the 1980s (Whittington, 2006, p. 614). Several theorists and philosophical thinkers influence this practice turn. These theorists differ in detail but collectively they have the same aim. That aim is to overcome social theory’s dualism in which one school of thought, the ‘individualists’, focused too much on individual human actors, neglecting macro factors and another school of thought, the ‘societists’ who focused too much by large social factors. Instead practice theorists aim to respect both the efforts of individual actors and the workings of the social (Schatzki et al., 2001, p. 1).

This rediscovered view on practice forms three core themes for practice theory; first, there is society. Practice theorists are concerned with social systems like shared understandings, cultural rules, languages etc. that can guide or influence human behavior. One example of those practice theorists is Foucault (1977 referred to in Schatzki et al., 2001, p. 1) who turned his attention to how society’s disciplinary practice softly shapes expectations and behavior. Another example is Bourdieu (1990) and his theory that social tradition and norms is incorporated, typically unconsciously in human behavior. Both these theorists treat actors as an essential part of the social (Whittington, 2006, p. 615).

Secondly, people’s activity in practice is a theme elaborated by practice theorists. Hence, it is a focus on the activity itself. Certeau & Rendall (1988, p. 12) argue that emphasis should be put on how things are done instead of focusing only on what is done. What is done can be understood by e.g. counting, but understanding how things are done requires close attention on understanding the individual. For Bourdieu (1990, p. 67) a challenge in understanding practice is to capture the ‘practical sense’, which is a sense an individual use according to the situation. This is something one cannot study or capture by only looking into social factors.
The third core theme in practice theory is the practitioner himself, whose skills and actions activities depend upon. Actors are not seen as autonomous individuals but as interpreters of practices as Bourdieu (1990, p. 25) explains. Actors are important because their practical skill makes a difference; they are creative enough to free or alter their activity from reproduction of initial conditions like norms and standards etc. (Whittington, 2006, p. 616).

These three core themes mentioned in the discussion above have been developed into concepts of practice and referred to as; Practices, praxis and practitioner by Whittington (2006, p. 615). One important issue to comprehend is that these concepts are not separate but interrelated as part of a whole to understand practice. The aim is to resist the choice between micro details and larger macro forces in practice theory as previously mentioned, which the practices, praxis and practitioner focus does. Practice based studies however, do not need to combine all these three elements at the same time, the purpose here then is to propose a framework that can link together different subsets of the three elements to acknowledge their ultimate membership of an integrated unit (Whittington, 2006, p. 620).

**Previous studies**

Practice theory has been applied to several types of organizations and/or job types in recent years. Examples includes project work (Hällgren & Lindahl, 2012) human resource management (Vickers & Fox, 2010), consumer marketing (Allen, 2002), technology in organizations (Orlikowski, 2000), 2000) and several others. A portion of these is summarized here and provides an insight on how practice based studies can be performed in reality. What these work shares is a commitment to understanding their various domains in terms of human activity.

In Hällgren & Lindahl’s (2012) paper they reviewed four earlier studies that were influenced by a practice approach on project work. They argue that projects and project management are more than a property of the organization. They should be seen as something that people do and accomplished through individual and collective actions which will shape and be shaped by the situation and by the ongoing practice of others. Earlier developments have been important for an understanding of projects but they fall short of examining the ‘inner life’ of project work that is the details of the doing and sayings of project work. The authors continue the argument by discussing the fact that there is a need for more deep descriptions of what people actually do. The practice based approach will through its nature provide a deeper description of practice even though the results will be less generalizable and the texts will be longer. Furthermore, paying more attention to practice provides possibilities for returning to typical and traditional project management concepts such as planning and control but will be viewed and analyzed in a more heedful way as the authors expresses. In other words, paying a closer attention to detail that the practice approach provides makes project planning less clear and more complex but more real. (Hällgren & Lindahl, 2012, pp. 337-342)

Vickers & Fox (2010) made a study on HRM practices based on ethnographic research using practice theory an actor-network theory conducted over an 18-month period. The aim was to examine HR work in the context of management activities in pursuit of a post-acquisition strategy. The authors discusses the turn in practice and addresses the
relationship between human or social practices and the material environment through which many professional human practices engage with the social and material realities of the workplace. Their study demonstrates that HR practices are a highly political management process. Furthermore, it involves micro-political factors and different human contributions to the overall value-chain of a firm. The authors have through a practice based approach been able to describe and critically analyze the way networks are created and maintained in an organization that influences HRM. (Vickers & Fox, 2010, pp. 899-910)

Allen (2002), applied practice based approach on consumer marketing. His study was an ethnographic investigation into student college choice, in which close observation of behavior was combined with attention to wider cultures in which it is set. The results emphasize the relationship between the core themes of practice. As an example; at one low-status college marketing event, ‘working-class’ women were easily enlisted by friendly greetings and details like free muffins because these meet their cultural expectations. Whilst middle-class students, with different cultural background choose college by the status and ignore such blandishments as the author expresses. The results can be seen as rather generalized and a bit controversial but the essence of the author’s findings is that he shows a link between culture and individual choices. (Allen, 2002, pp. 520–528)

This review of previous studies shows that practice based studies are multifaceted and rich in their aim to provide a deeper description of what people actually do in organizations and personal life. In other words, it provides a deep insight into how things are done in practice. The contributions of practice based studies allows researchers and managers etc. to understand the organization less as an entity and more as something that is accomplished through the activities by its employees.

4.3 Practices, practitioner and praxis

The three concepts of practices, praxis and practitioner are further developed here, first, in order to provide consistency to the vocabulary which can differ in the way they are expressed. Secondly, to put them into context of auditing.

Practices will refer to shared routines of behavior, including traditions, culture, norms and procedures for thinking and acting etc. The emphasis on practices covers broader macro forces as the society as a whole but also and importantly organizational practices in which the practitioner exist (Whittington, 2006, p. 619). The elements of practices are drawn upon while acting as Hällgren & Lindahl (2012, p. 338) expresses. Big audit firms has strong organizations and their emphasis on incorporating norms, culture etc. either consciously or unconsciously in their employees, which ultimately might influence practice.

The practitioner is as previously mentioned the individual whose activities carries out practice, and is obviously the auditor himself in the context of this paper. Card players may play the same hand differently according to their skill and flow of the game, the essence of this is that actors should not be seen as mechanically controlled by rules and standards but as artful interpreters of it as (Bourdieu, 1990, p. 148) describes it. The difficult task here is to understand the underlying factors that cause individuals to interpret practice in different ways.
Praxis refers to people’s actual activity in practice. Activities are followed in ready ways in some sense according to the situated action. Those ready ways are created through routines, rules and standards etc. The definition of the term praxis is close to the one of practice, but the distinction here is that practices can deviate from the praxis. The standards that an auditor in Sweden follows are the ISA and more specifically ISA 520 for APs.

The figure below is developed to show in a simplified way the three core elements in practice theory. Practice is the “heart” in the middle of the figure and practices, praxis and practitioner are elements integrated in both micro and macro environments that collectively procreate existence to practice.

![Figure 6. Elements of practice](image)

### 4.4 Organizational factors

As previously discussed, within the fields of practice theory it is important to know and emphasize the fact that both macro and micro factors influence a practitioner’s everyday professional practice. The thing to realize when it comes macro factors that influences an auditors’ decision making are business cultures, norms, firm values etc. that has been developed within audit firms as a highly incorporated part of their brands. Audit firms’ sells services provided by highly skilled employees, an auditing firm can be seen as a professional service organization. Therefore, in an attempt to cover the relevant macro forces we have included organizational theories linked to professional service firms. These theories are on expertise and knowledge sharing and will be presented below.

#### 4.4.1 Experts

The increasing importance of expert talent in today’s economy has significant theoretical implications for the nature of the employment relation within such a firm.
Furthermore, it has implications on the nature of the professional service firm as an organizational form (Teece, 2003, p. 895). The theories on how experts can influence organizations in professional service firms and vice versa is of importance to our study since it can provide useful knowledge on how macro factors (practices) and micro factors (practitioner) can form practice in an audit environment.

Chia (2003, p. 111) defines expertise as follows:

“Expertise relates to specialist knowledge, skills, competencies and capacity to perform unusual, difficult or specialized activities. A person with a high career driver score for expertise works hard continuously to gain additional knowledge and maintain capability in the specialized discipline.”

Teece (2003, p. 896) expresses:

“Experts are those privileged individuals who through superior education, experience, position or performance somehow get recognized by society as leaders in their field.”

The study of expertise has expanded greatly since the 1970’s according to Grenier (2006, p. 1020). This may be partly due to the appeal of building expertise in businesses and industries, as well as its correlation to the development of technological processes (Grenier, 2006, p. 1020). Expertise comes in many forms, from the skills of the prediction of weather conditions by meteorologists to the application of APs by an experienced auditor. The continuing exploration of expertise and its development in individuals is important for professionals concerned with organizational development as they look for ways to enhance learning and foster growth in professionals (Grenier, 2006, p. 1020). Participants in our study are characterized as experts because of their extensive knowledge of the subject matter of APs and their ability to carry out that task. However, we emphasize the fact that the level of expertise varies among auditors as concluded by Solomon et al. (1999).

The economic significance of experts or top talent as Teece (2003, p. 896) expresses has become more important as the importance of intangible assets, such as human capital, has grown as the market expands (Teece, 2003, p. 896). Herling & Provo (2000, p. 1) goes further in saying that expertise among individuals in an entity is not only a significant economic advantage, but more importantly, a sustainable one. As a consequence, the importance of knowledge as a source of competitive advantage is increasing the importance of experts in the economy (Teece, 2003, p. 908). For audit firms this would be an important issue and several studies has been conducted on human capital’s role on the successes or failures on audit firms, whereas several provides evidence that audited financial statements are of higher quality when audited by an industry expert (Ferguson et al., 2003; Francis, 2004).

Francis (2004) paper reviewed empirical research over the last 25 years, mainly from the United States, in order to assess audit quality with respect to public listed companies. The evidence suggests that there may be an acceptable audit quality at a relative low cost, as well as evidence of voluntary differential audit quality, i.e. some clients are willing to pay more for higher audit quality.
From reviewing that quantity of research, Francis (2004, p. 352) concludes that the collective evidence is strongly supportive that audits of large (Big 4) auditing firms are of higher quality. Many studies have been performed, trying to explain why audit quality is higher in the largest firms. The first wave of auditor differentiation research focused on the dichotomy between large and small firms as an explanation, DeAngelo (1981) argues in her study on audit quality and firm size that smaller firms have incentives to “go along” with their clients and misreport instead of being tough to them and potentially being fired because of the relative higher importance for keeping clients in smaller firms. For larger firms the risk of losing reputation as consequences of misreporting provides them with incentives not to misreport, since the loss in reputation can have disastrous effects on large auditing firms. The most infamous example of that in recent history is the story of Arthur Andersen. They were at the time one of the world’s leading audit firms but ultimately became bankrupt as a consequence of being Enron’s auditors (McRoberts, 2002).

However, more recent studies argue that industry expertise is the reason for the higher quality in Big 4 firms. Solomon et al. (1999, p. 191) states that most of the largest auditing firms are now structured along industry lines and designate their auditors as industry specialists. This structural change suggests that a preferred way for auditors to acquire industry knowledge is through specialized training coupled with direct experience on audit engagements in a particular industry. Hence, auditors in big firms have deeper industry specific knowledge that enables them to make more accurate audit judgments. In other words large auditing firms can due to large market shares focus their auditors in different specific industries, which lead to industry expertise.

As a consequence of the higher quality of audits, the largest firms tend to be able to charge more for their audits. Ferguson et al. (2003) made a study on the role of auditor industry expertise in the pricing of what were at the time the Big 5 audit firms in Australia. They sampled a number of 1,084 publicly listed companies and examined audit fees. The research showed that the firms with the highest level of expertise were able to charge a premium on their audits as some clients agrees to pay more for higher quality audits performed by the firms with the highest level of expertise (Ferguson et al., 2003, p. 443). One important result that the study found was that expertise is office-wide and not firm-wide. Office-wide expertise is explained by Ferguson (2003, p. 433) as dependent on the individuals who work in specific offices, who have different levels of experience, training, and a unique set of skills. Firm-wide specific expertise means that expertise are homogenous throughout the firm and is equal in every office and the choice of office should not result in quality differences because of standardized national training, standardized audit programs and positive network externalities. The research documented that there is an average premium of 24 percent associated with industry expertise when the auditor is both the city-specific industry leader and one of the top two firms nationally (Ferguson et al., 2003, p. 433). Ferguson’s research is not the only one claiming that there is a premium on audit fees related with the Big 4 firms. Francis (2004) claims after reviewing 25 years on research on the area that the average premium on audit fees associated with Big 4 firms is 20 percent.

The evidence that expertise leads to higher audit fees provides audit firms with huge incentives to invest in their employees and train them to become industry leading experts. As Teece (2003, p. 902) expresses, the professional service firm is not unlike a
research establishment or software development company. People acquisition, training and retention decisions are primary investment decisions.

Teece (2003, p. 896) claims that experts have valuable non-homogenous skills, which are much needed in today’s society, and the demand for his services has to take into account the manner of supply offered by the expert. The expert can, because of his high demanded abilities dictate the terms of employment. The expert is because of his deep knowledge in a privileged position to tell the buyer of expert services what he needs as Teece (2003, p. 897) expresses it. In other words (Teece, 2003) claims that an expert tend to have more discretion in his work tasks as a consequence of superior set of skills and knowledge.

4.4.2 Knowledge sharing
Another important aspect to take in consideration concerning the practice is how the knowledge is managed in organizations, and specifically; is it shared? All organizational activities that provides for improved knowledge sharing will be crucial for the individual learning, hence it might also be of considerable value for the overall organizational learning. This is visible in early research on the subject on organizational learning by Huber (1991, p. 106) who found that organizational memory play a big part in organizational learning. Organizational memory concerns the storage of knowledge within organizations and one important factor for effectiveness of such storing is knowledge sharing (Huber, 1991, p. 105).

There has been a growing importance for the concept of knowledge sharing since it can be associated with company success. This success might lead to competitive advantage, the creation of new knowledge, various achievements etc. Since organizations are centered on its knowledge, and the fact that knowledge is an individual product, knowledge sharing is essential in order for organizations to prosper (Ipe, 2003, p. 338-340). This provides an incentive for professional service firms (referred as PSFs from now on) to create an environment where knowledge can be shared.

Attention to the subject of knowledge management in audit firms has become more important due to the many changes that have taken place in the audit profession the last decades. New regulations and rules, such as the Sarbanes-Oxley Act, and the increased pressure for higher quality and effectiveness put on audit firms have changed the face of auditing in many ways. This have given rise to the importance for audit firms to within their own organization share knowledge concerning assignments, processes, trends in auditing and other issues that will have an impact on the outcome of their services. (Vera-Muñoz et al., 2006, p. 134)

Ipe (2003) presents a conceptual framework for knowledge sharing and, based on previous research, points out four factors that affect knowledge sharing in organizations. These factors are believed to have significant influence on the knowledge sharing within organizations and are therefore included in our theoretical framework. The factors are presented in Figure below.
Figure 7. A model of knowledge sharing between individuals in organizations (Ipe, 2003, p.352)

The first factor, the **Nature of knowledge**, indicates that the kind of knowledge (experiences, facts etc.) you are dealing with influences the process of sharing it. There are mainly two different types of knowledge; tacit and explicit (Ipe, 2003, p. 343). Tacit knowledge is hard to share since it relate to individual specific knowledge, such as personal experience (Collins, 2010, p. 1). The nature of tacit knowledge makes it more or less impossible to share if the knowledge-holder is not present, hence the difficulty of sharing it. Conversely, explicit knowledge is characterized as being easy to share since it has been written, stored etc. by others and can therefore be communicated through texts, sign, codes etc. (Collins, 2010, p. 15). Except for these two types of knowledge, there is a third variable to the nature of knowledge, namely its value (Ipe, 2003, p. 344). An individual might not be willing to share knowledge that is of high value since possessing it might e.g. create leverage. This can be especially prominent in firms where ones status in the firm is solely based on the knowledge you have.

A study on public auditing firms in North America report that audit firms are constrained by many rules and regulations, which limits the space of own ideas and creativity in executing various procedures (Gibbins & Wright, 1999, p. 31). Though, as we earlier explained, APs are an element in auditing that give auditors some level of discretion as ISA 520 are intended to be interpreted using professional judgment. Furthermore, one issue that has to be considered regarding the nature of the knowledge, or experiences, within an audit firm is that it might be confidential and that conflicts may arise if such knowledge is transferred between assignments (Gibbins & Wright, 1999, p. 31).

**Motivation to share** is the second factor influencing knowledge sharing, and as the name suggests it is related to incentives individuals have to share their knowledge. Ipe (2003, p. 345) separates the motivation into two categories; *internal* and *external*. Internal features include the power associated with the knowledge, which affects the willingness to share the knowledge. If knowledge is associated with high power, sharing it is unlikely. Another internal feature is that of a mutual beneficial exchange, i.e.
reciprocity. Schulz (2001, p. 672) found empirical evidence that individuals receiving knowledge from others are inspired to share knowledge to others. External features include the relationship the knowledge-holder has with the receiver and also what rewards are positively associated with sharing knowledge. Concerning the former feature, it is important to consider that sharing one's knowledge is closely related to trust in the receiver, a very competitive environment is likely to develop issues among employees with sharing knowledge based on trust (Ipe, 2003, p. 347). Further, the status of individuals also plays a role for the relationship between individuals in organizations. Knowledge has been found to mainly travel vertically within organizations that are status oriented where those with lower status provide knowledge to those with higher status (Allen & Cohen, 1969, p. 16).

Turning to evidence in PSFs, specifically from a study on a PSF in Asia, it is found that one significant feature that hinders the knowledge to be shared is the reluctance from professionals (auditors) to share their knowledge. The origin of this reluctance among professionals is according to Hsiao (2008, p. 131) the fear of exploitation and harm that could come from sharing. Gibbins & Wright (1999, p. 29) have also recognized this reluctance and describe the fear of exploitation as one of the major challenges for the knowledge management in firms. This is said to be a consequence to that the professionals may see leverage in keeping important knowledge to themselves.

Gibbins & Wright (1999, p. 31) further explains a factor that was likely to spur the motivation to share knowledge; fear. Interviewees reported that if one's performance evaluation were to be affected by the degree of knowledge sharing, they would probably start sharing. Most interviewees agreed to this and implied that those who do not share what they know are not desired to have in the firm. However, those who don’t want to share their knowledge probably see this as unpleasant and in the long run it might not be the best motivational tool.

The third factor concerns the Opportunities to share, i.e. what opportunities workers have to actually share their knowledge. Gibbins & Wright (1999, p. 32) provides a take in this issue and says that:

"Sharing knowledge requires the information to be easy accessible and flexible, and that busy people can make use of it. The use is enhanced if the firm provides mechanisms to leverage knowledge”

Ipe (2003, p. 349) makes one distinction here, and that is between formal and informal practices. The former can take place both within and across teams and constitute of occasions such as training, seminars and other formally arranged events (Vera-Muñoz et al., 2006, p. 140). Contrary, the latter consist of social occasions where there are no requirements or rules for the arrangement of sharing one's knowledge, such occasions might be based on relationships, networks etc. Formal channels can be argued to create effective knowledge sharing within firms (Ipe, 2003, p. 349). Evidence of this can be found in the study by (Gibbins & Wright, 1999, p. 29) where technology was presented as a formal channel central for the success in knowledge sharing.

In order to eliminate the previous mentioned barrier between sharing and not sharing, Hsiao (2008) presents certain practices that have proven to work as a solution. The first practice that is presented is a company agreement that has to be signed by every
employee. The agreements normally sets out guidelines for how the knowledge received can be used in order to assure that it will be protected and handled with confidentiality. This has proven to be effective to reduce the previously mentioned fear that the knowledge-holder might have. Two other practices presented are promotion and reviewing. The former is simply the promotion of knowledge sharing from the so called knowledge centers that exists within the firm and the latter a process in which the practice of sharing knowledge is reviewed in order to prevent harm being made to the knowledge. (Hsiao, 2008, p. 131)

Despite this evidence of efficiency of formal channels, informal channels are where most knowledge is shared within firms. Jones & Jordan (1998, p. 156) found that knowledge is mostly situation specific and needed to e.g. solve a problem, obtaining that knowledge is then done using informal channels. A more informal activity that serves as an objective to improve knowledge sharing is presented by Gibbins & Wright (1999). The authors suggest that mixing people with different backgrounds and engaging them in teamwork. Creating such relationships will help to improve knowledge management and in turn knowledge sharing. (Gibbins & Wright, 1999, p. 32)

The Culture of the work environment in an organization is the last factor affecting the knowledge sharing. The culture in a firm is more seen as an underlying factor since it in one or more way affects all the other factors. This relationship is evident in figure 7. The relation between culture and knowledge sharing is becoming more and more important where culture is painted as a barrier towards sharing knowledge (Ipe, 2003, p. 350). What people do in organization and, what are commonly accepted practices and how we behave are all affected by the culture, and you could stretch is at far to say that this turns culture into an important consideration for managers when managing the internal matters of a firm. Gibbins & Wright (1999, p. 31) found evidence for this through their interviews where it was seen important to create values that support knowledge sharing in order to create a knowledge sharing culture. Hsiao (2008, p. 130) recognizes that knowledge sharing is important in order for a firm’s services to be consistent. To relate this to audit firms one could say that, as in any other service firm, providing consistent services across the whole firm is important in order to reach customer satisfaction. Having a large variation in the quality of e.g. APs might result in the loss of a customer to another firm, hence the importance from an organizational point of view to provide a knowledge sharing culture.

4.5 Summary organizational factors

As theories presented here indicates, professional service firms’ most important assets are its human capital, and a primary objective is to train, develop, acquire and retain experts. Knowledge sharing in an organization is a further factor that influences the development of expertise, since it affects individual learning. We aim to use these theories in our study since they provide knowledge on how an organizations focus on developing expertise as well as their emphasis on knowledge sharing might affect practice.
4.6 Individual factors

In our aim to cover the micro forces that contributes to practice, we have chosen a number of theories that focus on the individual, i.e. the practitioner. As the research subject of this thesis is the auditor in an audit firm, theories on the individual will be given a substantial focus. Stress, time pressure, management targets and motivational factors are factors we have chosen to focus on. We will further focus on evidence of these factors from organizations, and also put emphasis on professional firms in order to relate it to auditors. Collectively we believe that these theories will provide deep understanding on the practitioner’s influence in practice.

4.6.1 Stress

Matteson (1987, p. 33) argues that when the balance of an individual is disturbed and when this balance is in need of restoration, stress will most likely be an issue for this person. Either the internal or the external environment can cause this kind of stress through demands that are put on the individual.

Further, stress is a factor that affects most professions in various ways and can cause tension at work and job dissatisfaction (Collins and Killough, 1989, p.93). Hence, stress is a factor that affects the individuals in an organization and is therefore a relevant factor in this study. Collins and Killough (1989, p.93) found that stress was driven by the workloads put on auditors and the experienced time pressure. Further, Haskins et al. (1990, p. 376) also found, besides the previous mentioned factors, that working outside ones competence level and unrealistic expectations where sources of stress. In a study by Liyanarachchi & McNamara (2007, p. 62) performed on Australian auditors, the environment in audit firms was found to be a source of stress. The auditors expressed that the competitiveness, pressure and control measures has given rise to the experienced stress.

Larson (2004, p. 1122) goes further in exploring evidence of stress among auditors in a survey of 683 CPAs in America, all working as internal auditors for various companies. The pressure of working as an auditor is believed to be the major source of stress. The audit profession is foremost characterized by considerable workloads but issues such as demanding deadlines and time pressure are also evident. Auditors are also expected to perform at their best at all times, and such an environment will eventually result in stress and job dissatisfaction if not manageable. (Larson, 2004, 1119)

Individuals have a threshold for stress for which stress can be coped with if not reached, but if exceeded, stress will become an issue. Larson (2004, p. 1120) explains three factors that are good indicators if demands put on an individual may cause stress, these are; importance, uncertainty and duration. Depending on the importance of a mission, an individual will experience different levels of stress. If a task to be performed is not clear for an individual, i.e. uncertain, this will most likely be a driver of stress. Lastly, if high pressure and expectations are put on an individual for a long time, this is also believed to increase the risk of stress. (Larson, 2004, p. 1120)

Larson (2004, p. 1125) found five prominent sources for stress among auditors in her research by calculating the scores for the variables tested on an average for every respondent. These five sources are: rewards, human resource management development, stress, politics, participation in decision making and time pressure.
In order to perform their work and take on challenging tasks that demand much, auditors expect to be rewarded with a salary and benefits that match their performance. When rewards are not in accordance with the performance made, or not even based on the performance, stress is created. Stress related to such rewards was the most common source of stress for the auditors surveyed (Larson, 2004, p. 1125). Since the audit profession is characterized by heavy workloads and late hours, stress would be expected for this factor (Larson, 2004, p. 1119).

The second most common source of stress where related to limitations for further training within the working area. This is an issue directly related to the human resource (HR) department of a firm; hence the stress level is a product of the HR department’s rejection of training for employees. This is an issue for the less experienced auditors who need the training in order to improve their job performance. (Larson, 2004, p. 1125)

The third most common source of stress is related to the politics within companies. When the decisions made within the firm are reflected upon politics, e.g. who is in charge or rivalries between co-workers, stress is a common consequence of such actions. The more political the organization, the more stressful is the auditor (Larson, 2004, p. 1125). This is a factor that is largely visible in the audit firms due to the hierarchical internal structure these firms have where the goal is to reach the top (Otley & Pierce, 1996, p. 33). Such an environment ultimately leads to competition and rivalry within the firm. The politics in an organization can then be linked to what Liyanarachchi & McNamara (2007, p. 62) found, that such an environment causes stress. Politics can both create unrealistic expectations and an unpleasant working environment. Participation in decision making and time pressure were also two factors that showed to be related to stress, these will be returned to later in this section (Larson, 2004, p. 1125).

### 4.6.2 Time Pressure

Otley & Pierce (1996) performed a study that investigated the time pressure among audit seniors in relation to their time budgets. It is of great importance for auditors to reach their time budgets, which in turn creates a pressure.
The study by Otley & Pierce (1996) was performed in Ireland where a questionnaire was sent out to the six largest firms at that time, the so-called “Big 6”. During this time, the issue of time budgeting became interesting to study partly due to the increased competition in the auditing market. This competition gave in turn rise to the importance of cost versus quality, where costs in the auditing business are mainly linked to hours put in, i.e. an assignment that pays well means that many hours should be placed on this assignment. (Otley & Pierce, 1996, p. 33)

Pierce & Sweeney (2004, p. 422) found that the pressure of keeping deadlines where becoming increasingly important for audit firms and that this was mainly affected by client demands and the lack of sufficient staff. Further, McDaniel (1990, p. 282) discovered that time pressure was linked to the effectiveness of auditors, and it was shown that increased pressure resulted in decreased effectiveness.

One aim of the study by Otley & Pierce (1996) were to investigate how time pressure were connected with two different kinds of behaviors; (i) audit quality reduction behavior (AQRB), where auditors’ intentionally take measures that harms the quality of an audit; (ii) under-reporting of time (URT), which occurs when an auditor performs chargeable work on out of office hours (Otley & Pierce, 1996, p. 34). As time budgets became more difficult to attain and the time pressure intensified, both of these dysfunctional behaviors tended to increase among audit seniors (Otley & Pierce, 1996, p. 44; Pierce & Sweeney, 2004, p. 434).

4.6.3 Management Targets
Quantifiable targets, such as a time budget, are an important element for managers in order to reach desirable results (Tosi, 1975, referred to in Otley & Pierce, 1996, p. 34). Though, such targets have to be set with precision otherwise they can cause pressure on the auditors and possibly reduce the quality. The study by Liyanarachchi & McNamara (2007, p. 62) found evidence that a majority of auditors perceive time budgets as hard to attain. More specifically, when time budgets was seen as either ‘very difficult’ to attain or ‘unattainable’ has led to the use of various dysfunctional behaviors in order to fulfill budget requirements. When targets become too tight and more or less unattainable, the motivation among workers to reach these targets decreases (Chow 1983, referred to in Otley & Pierce, 1996, p. 34). There is a valueless trade-off here where it is important to finish your work on time, but if the work does not hold the quality requirements this will likely be discovered in the quality controls (Sweeney & Pierce, 2004, p. 800).

However, Pierce & Sweeney (2004, p. 429) raises the issue of budget participation as a source of lacking motivation and dysfunctional behavior. The overall participation in the budgeting of time seems to be low in auditing firms and 32. 5 percent of their respondents were not aware of revisions of their budgets. Liyanarachchi & McNamara (2007, p. 67) also points out this and suggests that focus in audit firms should be in involving lower rank employees to participate in the work-budget process.

4.6.4 Motivational Factors in Auditing
The motivational factor of auditing is mostly linked to what ambitions auditors have in the hierarchy, i.e. what ranking one wish to accomplish within the firm. The extent of APs can vastly vary among auditors, and an explanation for of how this can be the difference in individuals’ aspiration. Put simply, an auditor that is very motivated and
highly dedicated might perform APs in a different manner compared to a less motivated auditor.

A study by Farmer & Rittenberg (2011) elucidates the motivational factors within the audit profession by looking closer at auditors’ needs in relation to a partner promotion. As early as 1982, McClelland and Boyatzis (1982) laid down some founding evidence for this subject where it was stated that the need for achievements among professionals is closely related to their success. In the study by Farmer & Rittenberg (2011, p. 14), this was expected to be evident within the audit profession, namely that the need for achievement explains the success of promotions. It is also believed that the motivational factors play a fundamental role for the execution of activities, such as APs, by the auditor. The capability of an auditor is believed to be applied in the best possible way if there is a strong need for achievement. The study was executed in United States and the sample was drawn from the, at that time, Big 6 audit firms. The results also reveal that higher levels of need for achievement are visible among individuals in the higher ranks, partners, than for those in the lower ranks, trainees (Farmer & Rittenberg, 2011, p. 16). Further, it becomes clear that need for achievement is one of the most prominent factors in the internal ranking system when it is presented that the need for affiliation and power is not any prominent factors. Evidence yet again show that need for achievement is a common characteristic for auditors that have reached success in their career, or as the authors’ puts it; “This trend helps to explain why some people who enter a professional organization ‘make it’ to the upper ranks...” (Farmer & Rittenberg, 2011, p. 17).

A study by Chia (2003) takes another more concrete, angle on the motivation for junior auditors by exploring what career drivers are prominent in this group. The auditing firms recruit many young students but it is only a fraction of those who actually reach partner. This indicates that there might be differences in what drives these individuals, that there is an answer for why some are pursuing a career in auditing and some not (Chia, 2003, p. 100).

Moreover, career drivers that characterize an ambitious auditor should also be similar for what signifies an auditor that performs APs in a correct manner. Chia (2003, p. 104) found that drivers such as affiliation, status and creativity are the most common characteristics within the audit profession, career drivers that are somewhat equally present in both big audit firms as well as small ones. What is found to be the distinct career drivers in the big audit firms is the expertise of the firm and how meaningful the job is perceived to be. The rewards from working at a big audit firm, in terms of material items, as well as the job security are also important drivers.

Brierley & Gwilliam (2003) provides a discussion in their study, human resource management (HRM) in auditing firms, for how the career development looks like in auditing firms. The process of ‘fitting in’ in the firm starts immediately for a new recruit. This process involves taking as much experience as possible from the senior staff. According to the authors’, these experiences consists of how senior act, think and look etc. All junior auditors does not pursue a career, and the term professional is a very abstract concept if you do not understand the organizational culture of a firm and is instead left outside of things. This indicates that the willingness to perform and the quality of audit activities could be related to the motivation and training received from seniors. (Brierley & Gwilliam, 2003, p. 433)
4.7 Summary individual factors

The four fields of theory that we have chosen to focus on regarding the practitioner do all include factors that we consider either affect the work with APs or vice versa, that APs can affect them. Stress can disturb the balance of an individual and is clearly a factor that affects all aspect of an individual’s work, which includes APs. Stress is further described as a product that can be caused by several different underlying factors and these are factors that we can see relate to the nature of APs. Hence, we see relevance of including stress as a factor since how an individual handle the work with APs might affect stress. Time pressure is a sub factor of stress that we choose to look closer at. The matter of time pressure is described as arising from pressure of keeping time budgets and can affect e.g. the effectiveness of an auditor. Furthermore, the time budgets that are set might not be realistic to fulfill which is indicated to affect the motivation of auditors. Since APs can be seen as a more effective method compared to test of details, we consider time pressure and management targets as relevant factors in this study, where using APs correctly can influence the issue of reaching a budget or not. Lastly, motivation is a factor that we consider can have major influence on APs, where theories indicate that auditors with different motivational levels might perform APs differently. In turn, motivation can depend on many underlying factors, such as ambition and well-being within the firm.
5. Practical Method

This section will provide the reader with an insight in our procedures throughout the study. We will present our research strategy as well as what data collection method we have used. Further, we will go into detail and describe how we obtained participants, how the data collection was executed and also how we handled the data.

5.1 Research Strategy

Taking in consideration the research question; how are analytical procedures (APs) performed by auditors, and what factors causes that practice? We formed a purpose that would complement us in answering this question. Our aim is foremost to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs. Thus, we have had an incentive to go into depth with the practice of APs in order to come to clarity with these aspects. Going in to depth will in turn demand an approach that will make this possible, e.g. an approach that will provide us with rich and deep data. Concerning our choice of strategy, we have considered this fact and focused on a strategy that suits our study well. Creswell (2009, p. 4) presents the two choices one can take regarding a research’s strategy; quantitative or qualitative

**Qualitative strategy**

We want to gain a deeper understanding of why auditors do as they do, which will mean interpreting our data rather than testing it. The qualitative research, as the name suggests, puts qualities of various matters in focus. These matters are not measured but the emphasis is instead put on how they are created (Denzin & Lincoln, 2008, p. 14). Moreover, qualitative research strives for the understanding of individuals in relation to a specific issue where the analysis normally has an inductive approach (Creswell, 2009, p. 4).

Further, we want to gather data that will cover the three elements to practice: practices, praxis and practitioner. To cover these theoretical fields, data regarding both the individual and the organization had to be collected. Since we seek explanations to the how and why aspects of APs, we also had to collect data that could help us with such explanations. To do this, as Bryman (2011, p. 410) suggest, we had to come close to our participants in their natural environment to focus on their point of view, which we only found possible using an qualitative strategy. Also, a qualitative method, in contrast to quantitative research, focuses on words instead of numbers where the researchers themselves interpret their findings, hence the subjective element in the qualitative research (Silverman, 2011, p. 4). Thus, understanding how things are done requires a close attention on understanding the individual, which is also a focus that practice theory emphasizes (Schatzki et al., 2001, p.1).

The quantitative research is described as a strategy where the researchers objectively test hypothesis, which is achieved through measurement of variables, not processes, in order to spot relationships (Creswell, 2009, p. 4). A quantitative strategy can be applied on the research of APs as seen in the research by Samaha & Hegazy (2010) who investigated in the use of APs in Big 4 firms versus non-Big 4 firms by sending out
questionnaires. However, our research does not seek to study such quantitative measures or uncover patterns.

Based on the discussion above regarding the choices of strategy we stood before, we chose a qualitative approach that we found was best suited for the study considering its main characteristics.

### 5.2 Case Study

There are several research designs that can be chosen in a qualitative study, we have been able to rule out many of these due to the nature of our research. The characteristic that has been our primary ground for choosing design has been the fact that we focus on APs.

Creswell (2009, p. 13) defines a *case study* as a design that focuses on a specific process in order to explore that process in detail. This design is in line with our focus on APs and that we seek to analyze how these are performed and why they are performed in that way. A case study is further explained to put explicit focus on a situation, where the settings for this situation (APs in our case) are the subject of thorough scrutiny (Bryman, 2011, p. 60). However, Bryman (2011, p. 59) present four features that can constitute a case, these are *an organization, a location, a person or an event*. To link these features to this study we can first see that it primarily focuses on APs (an event) and the APs are in turn a method performed by the audit firm (organizations). The organization is something that affects the three approaches we have towards analyzing APs: *praxis, practice* and *practitioner*. Thus, we can distinguish the organizations in this study as cases. The APs then serves as a focus in our analysis.

Doing a research on different organizations based in different geographical locations is also something that we have taken in consideration in choosing design. This makes it arguable that a case study does not fit in all steps of the research process and that instead a comparative study could have been a better choice, taking in consideration the fact that we have been able to observe differences across auditing firms. The comparative design foremost focuses on comparing two contrasting cases that, in our situation, might be the choice of different audit firms and cities (Bryman, 2011, p. 63).

Nevertheless, this study does not seek to explain differences between firms or cities, such findings have only been seen as supplementary data. Thus, in hindsight we consider that case study design has supported us in the best possible way. This is once again mainly due to the fact that we consider APs to be the focus of analysis in this study with the firms (the cases) as the source of investigation, between which we do not make comparisons. Through the case study we have been able to elucidate the most important features of APs, i.e. how they are performed today and what underlying factors influences the practice.

### 5.3 Sample

#### 5.3.1 Selecting firms

This study only targeted the Big 4 firms, which, as we earlier mentioned, consist of the four largest audit firms: Ernst & Young, PwC, KPMG and Deloitte. Out of these, three firms participated in the study. Only including these firms in our sample is an
organizational related limitation. The reason why we chose those firms originates from the fact that they cover a large part of the market and influence the entire profession of auditing which made them the obvious choice for us to study.

5.3.2 Selecting participants
As we have used a qualitative strategy, we have not tried to obtain generalizability. Quantitative methods are more often used for this, such as simple random sampling, cluster sampling etc. and are more common in quantitative research that demands random sampling. Instead we have used a less structured approach where we basically have contacted the audit firms and thereafter been directed to possible participants in line with self-selection sampling. Saunders (2009, p. 241) describes this method of sampling as a process where you first ask individuals to participate and then collect data from those who agree to participate. The reason for using this sampling method is mostly due to the fact that we have focused on finding relevant participants for the interviews. The details of our sampling method as well as the difficulties surrounding the contacting and participation stage of this research will be presented below.

5.3.3 Initial contact
Bryman (2011, p. 489) argues that a qualitative strategy tend to have a less structured approach towards sampling. This is believed to origin from the fact that a qualitative study is less concerned with the representativeness or generalizability of the sample since the focus is on a deeper understanding of the subject. We will try to explain our approach to the sampling in this study as explicit as possible which hopefully will increase the understanding and trustworthiness of our methods. The first step in our sampling was the initial contact with the audit firms, which is much in line with the self-selection sampling method and basically consisted of three steps described below.

1) The first step we took was to send out an invitation by mail to the targeted firms with a request to participate in the study. Trost (2005, p. 61) suggests, among other things, that an invitation should consist of (i) a presentation of the authors, (ii) a preliminary time span for when the interviews would take place and (iii) an approximation of the duration of the interviews. This is information that we included in our invitations and also added a short description of the study. This is due to the fact that we saw an ethical aspect of the invitations, this regards to informed consent in which the respondent should be made aware of what the study entails (Bryman, 2011, p. 133). By providing this information we wanted to make sure that the participants fully understood what partaking in this study would entail. We also offered to keep the name of the firm and the participants anonymous throughout the whole process. Our initial intention with the anonymity was to increase the possibility for firms to participate and for the auditors to be as open as possible during the interviews, which was an ethical consideration.

2) Following the first step was a reply from the audit firm where they often explained that they saw an interest in the study but had to see if they could find anyone who could participate, and that they would get back to us. One firm did not answer our invitation and in hindsight we think it would have been good to call all the contacts they day after the initial contact in order to make sure that
they had received the message and also to remind them to answer. Another firm rejected the proposal. However, one of the authors had an acquaintance on this firm. We contacted that person and asked if she could provide any respondents for our study, which she could.

3) The last step consisted of setting up dates and time for the interviews. This was done through an open discussion with the respondents, we clarified that we were flexible and took their preferences in consideration.

5.3.4 Choice of participants

Before we sent out our invitations to participate in the study, we constructed some basic requirements for our participants that were based on the aim for this study. Due to the fact that we wanted to include the transfer from RS to ISA as a factor of investigation, and the fact that ISA was implemented 2011, we required a working experience of three years among the participants. This demand was also useful in order for the interviewees to have a good working experience and knowledge of APs. We also asked for 3-4 participants from each firm as we saw this as a sufficient amount for the study and a reasonable amount for the firms to supply.

Secondly, we limited our study to Stockholm and Umeå. This meant that we only requested auditors from the approached firms’ offices in these cities. This was done since we study in Umeå and that the Big 4 firms’ headquarters are located in Stockholm. We are in other words only collecting descriptions and opinions of the work with APs from auditors at these locations. This choice can have affected our study since the practice of APs evidently are subject to interpretations and might therefore differ between individuals; hence it might look very different from office to office. However, since we are not looking for generalizability, this has not been a major concern for the study.

Since we were not in a position to make demands, mostly due to difficulties of getting interviews at these firms, a consequence was that we practically accepted those participants that were offered to us. Anderson-Gough et al. (2005, p. 470) identified similar difficulties in conducting research on audit firms. These difficulties are believed to originate from the competitive and confidential environment. This approach is yet again similar to that of self-selection sampling. Effects of only accepting participants that the contacted individuals offered to us can exist. For instance do those contacted not communicate with all auditors that possibly could participate; hence can valuable opinions been ignored. However, this has not been an issue that affected the study since all participants met our pre-determined requirements.

We have also experienced that the many invitations audit firms receive to participate in degree projects causes a lack of interest to participate. Furthermore, the spring has also been shown to be a time on the year when auditors are exposed to a lot of work, thus not having the time to participate. An implication of this might be that individuals who accepted to participate are not subjects to issues such as stress or time pressure variables that have an important part in our study.
**Interview participants**

Below is a presentation of the participants in this study with fictional names.

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Auditor: Anders</th>
<th>Auditor: Anna</th>
<th>Auditor: Bengt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Umeå office</td>
<td>Date: 2013-03-25</td>
<td>Date: 2013-03-26</td>
<td>Date: 2013-04-08</td>
</tr>
<tr>
<td>Male</td>
<td>Male</td>
<td>Male</td>
<td>Male</td>
</tr>
<tr>
<td>Manager/CPA</td>
<td>Manager/CPA</td>
<td>Manager/CPA</td>
<td>Manager/CPA</td>
</tr>
<tr>
<td>8 year working experience</td>
<td>6 year working experience</td>
<td>9 year working experience</td>
<td></td>
</tr>
<tr>
<td>Interview length: 38 minutes</td>
<td>Interview length: 42 minutes</td>
<td>Interview length: 48 minutes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Auditor: Bo</th>
<th>Auditor: Bill</th>
<th>Auditor: Gabriella</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beta Umeå office</td>
<td>Date: 2013-03-25</td>
<td>Date: 2013-03-27</td>
<td>Date: 2013-04-03</td>
</tr>
<tr>
<td>Male</td>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>Audit associate</td>
<td>Audit associate</td>
<td>Assistant manager /CPA</td>
<td></td>
</tr>
<tr>
<td>5 year working experience</td>
<td>4 year working experience</td>
<td>5 year working experience</td>
<td></td>
</tr>
<tr>
<td>Interview length: 47 minutes</td>
<td>Interview length: 37 minutes</td>
<td>Interview length: 47 minutes</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Auditor: Georg</th>
<th>Auditor: Gabriella</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gamma Stockholm office</td>
<td>Date: 2013-04-02</td>
<td>Date: 2013-04-03</td>
</tr>
<tr>
<td>Male</td>
<td>Female</td>
<td></td>
</tr>
<tr>
<td>CPA</td>
<td>Assistant manager /CPA</td>
<td></td>
</tr>
<tr>
<td>5 year working experience</td>
<td>5 year working experience</td>
<td></td>
</tr>
<tr>
<td>Interview length: 38 minutes</td>
<td>Interview length: 47 minutes</td>
<td></td>
</tr>
</tbody>
</table>

**Table 1. Interview participants**

### 5.3.5 Implications of anonymity

Due to ethical considerations, we do not intend to disclose the names of neither our participants nor the firms as this was a promise we made before conducting the interviews. The firms were all aware that they would be presented as a Big 4 firm but their names would be made up, in other words, they are anonymous in relation to the empirical findings.

Since the organization constitutes an extensive part of the study, the anonymity can result in consequences. For instance, besides not mentioning the names of the firm we do also not disclose technical facts such as number of employees or what their major clients are. We do not consider that technical facts to be relevant, i.e. it is not information that has any relevance for the understanding of the study. However, the names of the firms are more relevant since it can prevent our findings to be transferred to other context (other audit firms) or even the same context (the firms visited) since the reader would not be able to identify with the organizations we are describing. Moreover, we had to consider the ethical aspect of conducting qualitative interviews where the auditors who have participated disclose their own thoughts in many matters which may be hurtful for both them and the firms if their identities were revealed.

Further, we do not consider that being able to identify yourself with the firm important in this study since our focus lies on creating a deeper understanding of APs. We do
mention however, the characteristics of the firm such as its structure and culture and find that as sufficient information in order to understand the organizational influences to APs.

5.4 Access

Once at the interview, it is important to consider what you as the researcher has to do in order to take part of as much as possible of the information that the interviewee can provide. Hence, access is not only about getting information but also that the setting surrounding the data collection is organized in the best possible way (Bryman, 2011, p. 427).

A main feature we consider affecting the decision of the audit firms to accept or not were the fact that we promised anonymity. The fact that we had a contact on one of the audit firms also played an important role since we received more participants to our study. This contact did not receive any more information regarding the study than any other person that we contacted, nor did the respondents that we were given receive any additional information. Hence, we do not believe our relationship with these individuals to have had any significant affect in the study’s outcome.

5.5 Location of the interviews

Trost (2005, p. 44) explains that interviews should take place in an environment that is comfortable for the interviewee, a place that will not put him or her in a disadvantage. This excludes any place that puts us as interviewers’ in an advantage, e.g. our home environment. We offered two choices to our participants regarding the location. The first option included us coming to their office and that they would provide a room where we could perform the interview. The second option involved us setting up a place for the interviews and that the participants’ would travel to this facility. All of our participants chose the former option. This is according to Trost (2005, p. 45) how the selection of location should be performed. The interviewer should suggest certain locations from which the participants then may choose the place that are mostly preferred. Furthermore, we gave the respondents the option to choose the time for the interview. Due to the fact that the interviewees could pick the place and time for the interviews we consider that we provided for them to feel relaxed and comfortable about the interviews.

More specifically, all of the interviews took place in conference rooms at the visited offices. There was never any problem with the bookings our interviewees had made which meant that there were never any interruptions during the interviews. Our participants’ also gave us their full attention and did never leave the room during the interviews. All these conditions for the interviews have in our opinion provided for the best possible outcome of each and every interview. The fact that we were never interrupted and our participants’ relaxed mode coming in to the interview resulted in good discussions where they could go in to depth in their arguments.

5.6 Data Collection

This section will handle the collection of our primary data, i.e. data that we have collected through our interviews. As Trost (2005, p. 33) puts it; “For me is it utmost
important to understand the ‘life’ and not the ‘story’... I want to access how the human act, reason, feel etc....” We want to gain an in-depth understanding in the subject of this study; we want to understand why individuals act as they do. The fact that we do not test our theories implies that the primary data collection is a crucial and difficult step. The theories have been of support to our interview guide, but they will not carry our analysis in the same way as in a quantitative research which connects to our deductive approach.

Below we will describe our choice of interviews and how we constructed the interview guide used during the interviews.

5.6.1 Semi-structured Interview

There are several choices in qualitative interviewing such as structured, semi-structured, open-ended or focus group interviewing. Open-ended and focus group interviewing are both unstructured methods using limited amounts of questions (if any) and where the researcher uses little aid during the interview (Silverman, 2011, p. 162). The limited amount of structured questions in these methods has in our opinion been a reason for us not to apply them in our research. In order to find out about the praxis of APs and also be able to ask some more specific questions about the organization would probably have been difficult using an unstructured approach during the interviews. However, one aspect that we find as suitable in these methods is the use of follow up questions that might be improvised by the researcher when needed, i.e. where it might be interesting to get a deeper discussion with the participants. This is however an aspect that is also visible in the semi-unstructured interviewing (Silverman, 2011, p. 162) which became our choice of method in this study.

Semi-structured interviewing is an interview method that allows for more questions to be asked about a specific topic which in turn results in much more detailed information than under a structured approach. Together with the use of follow-up questions, these have been the main advantages with the semi-structured approach. The set of questions used are part of what is called an interview guide, which is an aid we brought to the interviews. Further, it is important for the interviewer to be flexible and that the questions are not directing the interviewee in any direction (Bryman, 2011, p. 467). In comparison to structured interviewing, which does not allow for improvisation (Silverman, 2011, p. 162), semi-structured interviewing is a method that has been most suitable for this research. This method has allowed us to cover all the questions we want to ask and it also provided the interviewee with room for freedom in answering the questions, as well as freedom for us to improvise with follow-up questions.

On the other hand, there are some disadvantages of choosing this data collecting method. The two most prominent features that we have spotted are related to the interviewee and us, the interviewers. First off, despite the fact that we have had good pre-conditions for the interviews we cannot completely guarantee that our participants have been completely honest. There is a risk that they have hold back on certain issues or contrary improvised some answer just in order to have something to say. Further, we as interviewers can also have affected the outcome of each interview with our follow-up questions, which is an element of freedom we have had in each interview. This freedom is a factor that we see as can reduce the reliability of the results, e.g. that we can have asked questions that is relevant for us rather than for the study.
One additional method that could have been applied or served as a supplement in this study is participant observations. Such observations is primarily characterized by that the researcher, for a period of time, solely focuses on one group of people. During these observations the researcher records the behavior of the group and pay attention to what is said (Bryman, 2011, p. 426). The objective of this study to elucidate how APs are performed in practice might imply that a participant observation is a method that should be applied. However, we want to uncover the underlying factors that affects the practice of APs and this is something that we feel will be difficult using observations.

5.6.2 Construction of the interview guide

In constructing our interview guide we tried to keep it as condensed as possible and not have too many questions prepared. Our promise to the participants to keep the interviews to a maximum of 45 minutes have had an impact of this decision, but it has also been important to consider the interviewees freedom to speak their mind in the subject, and too many questions would most probably have affected this consideration.

The questions for the interviews have all been inspired by our theoretical framework and previous research on APs well as on the ISA 520 standard. The questions where revised both by our supervisor and four students at the business school in Umeå during seminars. From this process we were able to shorten and improve the interview guide in such a way that it covered the basic aspects of both practice theory and APs.

Due to the fact that we are investigating both APs in practice and underlying factors affecting this practice, we chose to divide our interview in the following three parts.

Questions concerning the practice & the practitioner

The first part of our interviews focused on questions about the firm and its environment and on characteristics of the interviewee (practice and practitioner). The former included questions relating to knowledge and how it is created, shared and viewed upon in the firm and how the interviewee viewed the environment in the firm. We have two fields of theory concerning the firm, and that is Experts and Knowledge sharing. The questions in this part where much inspired by the articles relating to these fields, presented in the theoretical framework, such as Ipe (2003) and Teece (2003). Further, the individual oriented questions concerned what attracted them to start working at that firm and also more factual questions such as how long they had worked at the firm and what title they possessed.

Questions concerning APs

The second part covered questions about the work with APs (practice, practitioner and praxis). From the standards we have constructed questions that have a purpose of exploring to what extent auditors follow praxis in APs. To assist the creation of questions concerning APs we have also used previous research that handles how APs are used in practice (Cho & Lew, 2000; Hirst & Koonce, 1996; Mahathevan, 1997; Samaha & Hegazy, 2010). These studies have, such as Hirst & Koonce (1996), provided us with suggestions for question that can be asked to investigate how APs are performed at the different phases of an audit. Not all studies have included examples of questions, but more served as inspiration and guidance of what one should think of when investigating this issue. We took all this in consideration when constructing questions concerning the practice of APs.

Final Questions
The last part consisted of questions connected to the first part as well as space for the interviewee to add additional thoughts to the subject matter. Questions concerning what motivate them to stay at the firm and what their career ambitions are where for example asked in this part. These questions is related to the motivation of individuals brought up by Chia (2003) and Brierley & Gwilliam (2003).

5.6.3 The interviews
As made clear earlier, all the interviews took place at the offices where our participants worked. We can now, in hindsight, see that we became more confident and effective in our interview technique for every interview we made. During the first interviews there was both nervousness to interview and doubtfulness towards the interview guide since it is difficult to predict the outcome despite how much effort you put in into the preparation of the question. Contrary, as the interviews proceeded, we had a much more confidant approach and could e.g. ask follow-up questions more naturally. We also became better at “feeling” where the follow-up questions where needed since they differed from interview to interview, i.e. some parts could cover one interviewee very well and at the same time not be enough for the next interviewee.

Saunders (2009, p. 333) suggest that elements, such as your posture, enthusiasm, confidence etc., have an impact on the interview and can affect the outcome of the interview. This suggests that our last interviews might be of a higher quality than the first ones. However, after presenting and analyzing all the interviews we could see that all interviews have provided significance to the study. We will not favor any interview over the other in order to get as many thought and opinions as possible in our empirical data and analysis.

The technique that we see has been of most support to make our interviews as effective and efficient as possible is the dynamic switching between asking question and taking notes. Before the interviews we determined that throughout the three parts of the interview we would have one taking notes and one asking question. This enabled us to have one person that focused on picking up important details that could reveal where a follow up question was needed. The other person could then solely focus on asking the questions.

Since none of us are experienced interviewers we were not sure that taking notes during the interviews would be enough. Trost (2005, p. 53) suggest that listening back on the interviews and write down what was said word by word is a major advantage of recording. Our choice then fell on recording every interview. Before each interview, we asked our participants if they would accept that we recorded the interview and everybody also accepted this without any hesitation, this was done for ethical reasons. By listening to our interviews continuously we could here ourselves ask the question and thereby improve our technique where needed. Both Saunders (2009, p. 485) and Trost (2005, p. 53) emphasizes that recording the interviews also is useful in order to listen back and hear different sets of tone and spot different choices of word, i.e. analyze how our participant spoke during the interviews. This is something we have not taken in consideration since this research is not focusing on attitudes and thoughts auditors have about the firm or APs. Our interviews have involved such a discussion, but it is not our initial purpose.
5.7 Qualitative data interpretation

5.7.1 Transcription of the interviews
As we previously made clear, after performing and recording the interviews we transcribed the audio. The interviews were performed in Swedish and translated to English; this can be problematic since translation errors can be evident where some expressions can be hard to directly translate (Bryman, 2011, p. 488). However, we consider that our skills in the English language are sufficient to make this issue a minor concern.

The transcriptions of the interviews have been the most time-consuming part in the data collection process. Listening back on the tapes and typing down the answers of our participants has taken around 6-8 hours for every interview. Despite this, we considered the benefits of typing everything down to override the disadvantages. Each finished transcript was saved in a separate word file.

To make the empirical observations as well as the analysis easier, we coded our transcripts with colors where every question in each part of the interview guide had an exclusive color. Any follow-up questions asked after each main question was naturally put under that specific color. This color system allowed us to efficiently compile the data from the three firms since we could e.g. easily compare and see differences between the answers through the colors.

When performing the actual transcription, we did not include everything that was recorded. Moments when the interviewees where trying to formulate their answer or passages that we found irrelevant for the study where not transcribed. Such parts could include the interviewee telling us facts about the firm, e.g. how many employees or clients it has worldwide, or moments when they have tried to formulate their answers, e.g. where they began a sentence but then stopped and started over. This is of course a question of judgment and can be seen as a subjective approach, but as authors we consider us to have a good idea of what is important to include and therefore chose to exclude information we found irrelevant.

5.7.2 Structure of the empirical observations and analysis
The finished transcribed material was condensed and presented in our empirical observation. The empirical data has been free from our own thoughts, hence as objective as possible. This has been the part that we have summarized the interviews with both our own words and quotes from the interviewees. The method we have used to present and analyze our data has proven too reliable in order to connect similarities and spot differences. At the same time, our intention has been to provide an overview of the answers from the auditors’ as well as telling the story of each auditor, which in turn can create an understanding of the practice and their reasoning. Nylén (2005, p. 48) mentions that social reality can be generated through story telling using a narrative method. By collecting data that focuses on the experiences of the interviewee, a narrative method provides for explanations of a certain activity (Nylén, 2005, p. 49), in our case an auditor’s experience of APs. As narratives are seen as an important method in research on organizations and that the focus is on presenting the stories collected into a unity, where focus also is on the intensions of individuals’ made this method most suitable for this study. However, our empirical data and analysis are not fully applying
the narrative method since we are not involving the poetic aspects of a narrative, that a plot, description of emotions etc. should be included (Saunders, 2009, p. 514).

First off, we divided the empirical data into three sections, one for each firm. To secure the participants anonymity we constructed pseudonyms for each interviewee and firm. Our intention here was for the reader first to get an overview of the answers from each firm and then later, in the analysis, get an aggregated view of all our observations. Within the part for each firm, we further combined different answers from the three parts of the interview guide into different categories in order to get a better overview, and thus connecting related answers. For instance, we combined our two finishing questions regarding what motivated our participants to stay at the firm and what their future career ambitions were into one single category.

This method provided us with a good ingress to the analysis, where we as said aggregated all the answers and sectioned them under each of our theoretical areas: *practice, practitioner* and *praxis*. In each of these areas we analyzed our findings and supported this by incorporating our theories. Constructing our analysis accordingly was naturally for us and has hopefully also supported the reader in understanding the relevance of our theoretical framework in this study.
6. Empirical observations

In this chapter we will present the results obtained from the interviews performed with the seven auditors involved in the study. The findings will visualize macro and micro factors that might affect an auditor’s work with APs and goes in line with the aim of practice theory which ground this study. The chapter is divided into three parts, one with each company and was done to provide the reader with an overview of the firms involved. Each part is further divided into sub-sections and represents findings regarding organizational issues, APs and individual factors.

6.1 The participants

The companies presented here are three of the four Big 4 audit firms. As previously mentioned they are big global companies with thousands of offices around the globe and hundreds within Sweden. A thorough review of each company will not be made since it would risk the firms’ and participants’ anonymity which was promised to them prior the interviews. The firms and interviewees have been given fictional names. The compiled information with names, working experience, gender, titles and interview length are presented in the figure below:

<table>
<thead>
<tr>
<th>Audit Firm</th>
<th>Auditor</th>
<th>Date</th>
<th>Gender</th>
<th>Title/Position</th>
<th>Working Experience</th>
<th>Interview Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha Umeå</td>
<td>Anders</td>
<td>2013-03-25</td>
<td>Male</td>
<td>Manager/CPA</td>
<td>8 year</td>
<td>38 minutes</td>
</tr>
<tr>
<td>Beta Umeå</td>
<td>Bo</td>
<td>2013-03-25</td>
<td>Male</td>
<td>Audit Associate</td>
<td>5 year</td>
<td>47 minutes</td>
</tr>
<tr>
<td>Gamma Stockholm</td>
<td>Georg</td>
<td>2013-04-02</td>
<td>Male</td>
<td>CPA</td>
<td>5 year</td>
<td>38 minutes</td>
</tr>
<tr>
<td></td>
<td>Anna</td>
<td>2013-03-26</td>
<td>Female</td>
<td>Manager/CPA</td>
<td>0 year</td>
<td>42 minutes</td>
</tr>
<tr>
<td></td>
<td>Bill</td>
<td>2013-03-27</td>
<td>Male</td>
<td>Audit Associate</td>
<td>4 year</td>
<td>37 minutes</td>
</tr>
<tr>
<td></td>
<td>Bengt</td>
<td>2013-04-08</td>
<td>Male</td>
<td>Manager/CPA</td>
<td>9 year</td>
<td>48 minutes</td>
</tr>
</tbody>
</table>

Table 1. Interviewee participants
6.2 Alpha

The first company presented is Alpha. The interviews were performed at Alphas Umeå office with the two auditors, Anders and Anna.

6.2.1 The auditors

Motivation
Anders and Anna established that it is developing to meet many different clients in different industries and that it was a large factor that motivated them to continue at Alpha. The opportunity to improve things at existing clients is another big motivator for Anders. Anna concluded; “at Alpha, a lot happens, you get the opportunity to develop and it is a kind of culture here that sky is the limit and that appeal to me”

Ambition
Anders has worked with several different assignments at Alpha. As a specialist for IFRS related questions in Stockholm were one of them, he could from his experience conclude that auditing was the profession that appealed the most for him. He believed that career ambitions are different for auditors in Stockholm and auditors in Umeå, “if you are in Stockholm, it is pretty traced, you have one way and it leads upwards. Here in Umeå it is not really like that”. Anna also wanted to continue with auditing. She did not really have any outspoken ambitions regarding titles, but that she would consider being a partner if asked.

6.2.2 Characteristics of the firm

Anders described Alpha as a very global organization, that it is one of the world’s leading auditor firm’s but that it is one of the smallest of the Big 4 firms in Sweden, a situation that makes Alpha more hungry than the competition. Alpha generally focuses on making a lot of reviews in their audit process, maybe more than the competition and Anders saw both positive and negative aspects in that. Positive in that everything is correctly done but negative since it could be more profitable to work in another more efficient way.

Anna also used the expression “hungry” as well as “more ambitious” when characterizing Alpha. When she started working at the Umeå office they were six persons employed and now they are up to thirty and that this, according to her, pictures Alpha’s focus on growth and improvement. This focus is something that she appreciates, but at the same time she has nothing else to compare with. Neither of Anders and Anna could say that there is any specific type of individual associated with Alpha. “We have all kinds of individuals here” Anna expressed.

Alpha is very hierarchical according to Anders, where you get a lot of responsibility early on in your career which enhances your learning and is a main characteristic of Alpha compared to other firms. There are many junior associates and relatively few senior auditors, which have led to greater responsibility at a junior level and at the same time an extensive performance management process. “In this way we can early identify if these individuals fit for the auditing profession or not” Anders expressed.

Interpersonal relationships
Anders and Anna talked about close relationships between the employees at Alpha. Anders said that you develop a close relationship with your year cohort, as many people are employed at the same time, and also a communion with your working team. Both
Anders and Anna discussed the hierarchy’s part in how interpersonal relations develop at the firm. Anna said that the base of the organization is very hierarchal in the sense that there are clear job-titles to achieve, but at the Umeå office it is very flat; “I sometimes do the same job tasks as junior associates do and there is nothing strange about that” she expressed. Anders, who have experience from working both at the Stockholm and Umeå offices, mentioned that the work environment is “very open” and that he could basically knock at the CEO’s door and talk to him at any second.

**Focus on knowledge development**

Alpha has a very structured educational program for their auditors. For the first 5 years as an employee you must go through a predetermined plan with many different courses as both Anders and Anna said, but the training however, continues even for senior auditors. “This is in line with a long term goal that you shall become a CPA after a couple of years” Anna expressed. She went further by mentioning that you build up a mass of knowledge during the years as an employee at Alpha and that the firm’s model on training is that 75 percent should be “on the job training” in which you continuously develop your knowledge through practical experience and the rest is from the formal education plan. Anna expressed some pessimism about the educational plan and suggested that there should be a more practical based education, “you cannot always read books and learn everything from that” she said.

Anders opinion on Alpha’s education was that it worked really well but as with any education it could be more practical, but he emphasized that this was only the course based education and most of the education occurs during the actual work. He continued by remarking: “if you are responsible for an audit team you have the responsibility for them to learn”.

**Knowledge sharing**

Anna said; “The idea with this on the job training cohere with the hierarchal structure that we have here, you should always pass your knowledge down to the less experienced, even if you have only worked here for a year”. The focus on training your colleagues and passing forward knowledge is incorporated in the titles they have at Alpha, which basically means that with titles comes responsibilities to pass knowledge down and educate the less experienced. She believed that this responsibility is followed in a widespread way and continued by saying: “You need to rely on your colleagues and even the junior associate since it is of vital importance for the audit teams to properly function”. As a concluding remark she mentioned that the majority of the employees definitely understand the importance of knowledge sharing. In addition, Alpha has formal feedback and coaching that worked very well as long as it happened in connection to recent events.

Anders also indicated that there was a big focus of knowledge sharing. “As it should be in a perfect world” he phrased, however, he thinks it depends a lot on who you end up working with. There is a lot of time pressure today in a world that is controlled by money, meaning that everything should be done effectively. “Generally speaking, there is little space for follow-ups and reflections” he said. Anna did also mention time pressure as a factor that affects knowledge sharing and concluded that if there is enough time and the circumstances are perfect, then knowledge sharing is a very good way of learning.
6.2.3 Analytical procedures

**Efficiency and goal of APs**
Anders and Anna think that APs are a very efficient method in the most cases. Anna argued that you must have an understanding of the business to perform APs and that there is of large value to obtain that understanding. That understanding includes knowledge of what kind of business transactions that have occurred during the year for the company; “To obtain this knowledge is important to be able to come to conclusions on the reasonableness of the changes that have occurred” she argued. Anna mentioned that the efficiency of APs are dependent on the goal of the audit, if an audit is performed by the Swedish Tax Agency, they would not be interested in APs since they want to establish “right and wrong” and look very closely into details. The goal for Alpha and other audit firms is to look at financial statements and establish if they are reasonable in material aspects, and from that perspective she mentioned that APs plays an important role. APs are performed mostly to obtain a basic background understanding of the company which guides the auditor to develop expectations on what has happened. “When you later get the right information you can compare that to your expectation and see if it is reasonable or not and you can carry that mind with you, but we also have to test details obviously” she expressed. Anders discussed that for transaction intensive companies, APs are very important to use since it is not possible to browse through 10 000 or 100 000 invoices.

When Anders visits a client and look at annual reports, he is through experience able to instantly see what needs to be further reviewed if anything does not cohere. This sharp review is a kind of AP that does not really provide any assurance, but it is more for the purpose to identify areas that you need to look closer at. He elaborated further by mentioning that the goal of APs is partly to get this assurance but that very much is controlled by the documentation requirements put by ISA. Anna’s take on the goal of APs are in more general terms; “the goal of APs is that we should accomplish our goals with the audit. This is a part of the overall audit and is done to support the detailed testing”. She continued by saying that the goal can range from them wanting to confirm the existence of something or the valuation of a certain account etc.

**APs and the level of competence**
According to Anders, many auditors are pretty lousy at APs and instead make more tests of details since they do not really know how to perform them. He continued by emphasizing the fact that knowledge of accounting is of vital importance for APs and that this is a skill that most junior associates lack, “they are simply too bad at this...if you do not know how to account for something then it is pretty hard to make an audit” he argued. If you do not have this accounting knowledge then it is hard to see the relations between accounts, which he mentioned are of big importance when doing APs. In excess of that knowledge he pointed out that you need to have an analytical ability to be able to see relationships and to understand “how things fit together”. He was no professional himself when he started as a junior associate, but he had the eager to learn and expressed that; “I always asked for a draft of the account to see how the client had accounted, and then sat and drew ‘T-accounts’ in order to understand debits and credits, to see how it coheres”.

Anna have learned making APs through a continuing process during her career. This process has been through a combination of two factors; through learning by doing and
through education. “The most influential part is from learning by doing…I see what someone has done in previous years and then I ask some colleagues to describe, this is really how I learn in practice” she said. She emphasized however that the theoretical knowledge is essential in order to understand the purpose of your tasks etc. and that this knowledge comes from education.

Anders said that he usually searches for answers by himself in first hand and said; “this is how you learn in the best way”. He used to commute between Stockholm and Uppsala for two years and when the others slept in the car he was reading FAR, he continued by saying that he is reading and has read a lot of the Swedish Accounting Standards Board recommendations on how to audit different accounts, to ensure he understand what he is doing. The competence level that Anders has reached comes from a genuine interest in accounting and auditing and that he has through dedication built up a foundation of knowledge that he can continue to work with, “you build the foundation on the job training from day one” he expressed.

**Routines and guidelines**

Anders and Anna indicated that they work according to a method that is based on ISA but more detailed. “ISA can say that we need to test an account and our company guidelines can say that we need to test that account by making 5 spot-checks” Anna expressed. The responsible auditor can however make another judgment based on expertise.

Neither of Anders and Anna could say that their work have changed substantially after ISA replaced RS. They have however made some adjustments and are now applying APs in a larger extent according to Anna, but she was not sure if it was because of directions from ISA. Historically, Alpha has been focusing too much on test of details and is now advocating more use of APs.

**AP methods**

The decision on what APs to use is dependent on several factors and is sensitive from case to case. Anders mentioned however that you look at value drivers with APs and provided an example for a service generating company in which people sell their time; “you know that this is a factor of working hours, average prices and it can be the number of people. You build up expectations based on these things in order to get a reasonable level of for example income”. According to him, relationships, such as the gross margin ratio, can often be usable for many types of companies. Anna mentioned that an AP can partly be an analytical comparison from prior years and that they work with the development of expectations that comes from the knowledge about the company, how it operates etc. Then they look at actual numbers and compare those numbers to their expectations in order to find deviations, “we have expected the client to have 2 billion in revenue but they only have 1.5, why is that?” she pictured and added that; “expectations are usable as long as you are able to make them and use them in a reliable way”.

**Expectation development**

Anders and Anna develop expectations along with a lot of inquiries, “it can be with the CEO or CFO to discuss the company and to discuss what changes depend on” Anna said, she continued by mentioning that it is a part of your job to have inquiries with the client’s representatives in order to obtain an understanding of the company and what has happened during the year etc. and that some information is only available through
inquiring, freight prices is an example. However, she sometimes prefers to sit behind her desk by herself to figure things out, “if for example raw materials are a factor I usually look the prices up by myself”. Furthermore, she sometimes ‘google’ specific things and look at the clients homepages and industry information etc. but the approach depends on the size of the company. For a really large company that information is obtained continuously during a year from newsletters etc.

**Finding explanations**

The CEO and CFO are also the primary sources of information when they search for explanations for unexpected differences according to Anders and Anna. After receiving an explanation you complement this by gathering information in order to ensure if the explanation is valid. “In some cases however, I might be satisfied with the explanation and not go further” as Anna expressed.

Anders explained that there are established requirements and guidelines that help to decide if an explanation is acceptable, but that you only have to explain a certain deviation so it comes to an acceptable level since they are only expressing reasonable assurance. Anna said basically the same thing and that you set the acceptable level depending on several factors but that it is a matter of judgment that you discuss with the auditor in charge. Sometimes the information obtained from APs are enough evidence in which test of details is not necessary, but before you decide you need to consider the clients internal control: “If you have not been able to understand the internal control and evaluate it to ensure that they work well then you do not get high assurance when performing an AP”.

**APs and workload**

Anders indicated that the workload that follows from APs depends a lot on the situation but also on the motivation and spirit of the auditor. “It can be done really quickly since an AP can be a simple calculation. However, if you want to do it properly and to understand the results you need to put some time behind it”. He continued by mentioning that he has to consider the efficiency in APs before using them, “to do a detailed look at three invoices might take thirty minutes to document, but to do APs on those invoices could take three hours to document, then it is obvious to do the first. Rather, if you look at a really big company, where you maybe put eight hours on APs and two weeks of detailed testing, it is in these circumstances you need to use it” he argued. Anna discussed pretty much in line with Anders by saying that test of details is generally very time consuming, but that it is simple in a way since you follow a check-list “you know exactly what to do” she argued. The workload of APs is small but that it demands you to think “outside the box”, “you need to take decisions and you have to be more active in another way”. The workload also depends on how comfortable you are with APs but they are mostly performed by a senior associate since it demands experience. With smaller clients however, APs can be performed by junior associates but that their work are always reviewed to establish the quality.

Anders and Anna argued that there is an overwhelming amount of work to do at specific times during the year, with a lot of stress as a consequence. Anna leaded off by saying that stress sometimes can have a positive effect, “especially for me, positive stress can improve my performance”. She said however, that APs which demands a bigger mental achievement can be affected negatively with stress, “you might not deliver at a normal
level”. She concluded by emphasizing the fact that several auditors are usually involved in the process and that you are not left alone with APs.

6.3 Beta

The second company presented is Beta. The interviews were performed at Beta’s Umeå office with the three auditors, Bo, Bill and Bengt.

6.3.1 The auditors

Motivation

Bo is motivated to stay at Beta due to the personal development and the opportunities he is given to continuously learn new things. He extended by saying that he did not want to work for a small company and do his audits behind a desk and that is why he wants to stay. Bill answered that his motivation never stagnates since the career at Beta has all the possibilities. Bengt answered briefly by saying that there is a combination of the work climate, his colleagues and his job tasks that motivate him to stay.

Ambition

None of the three have any set career goals as it comes to specific titles. Bill and Bengt were really clear as they said that they have no ambition to reach partner status. Bengt elaborated his opinion by saying that partners works extremely much and that there is a high level of divorces among partners and concluded by expressing; “my leisure time is important, I work to live and not the other way around”.

6.3.2 Characteristics of the firm

Bo finds that Beta has a very high performing culture with a large focus on performance and delivery, but at the same time it should be pretty fun to work, “there should be a large focus on the tasks but at the same time we strive to enjoy it” as he expressed it. Bill said the flexibility and the width is what characterizes Beta. Bengt mentioned that he has worked in both the Stockholm and Umeå offices of Beta and said that it is hard to mention one uniform culture, “every office is different I would say”. He continued by saying that he thinks that Beta has an open environment formally. He mentioned that he can speak with a partner and that there is nothing strange about that, in Stockholm there is a bit stricter but he can still go and speak to a partner. Globally however, it is a much stricter hierarchy, “I have talked to persons in global Beta meetings who thinks even talking to a partner is a utopia when you are at my level” he expressed. The cultural environment he preferred was the one in Umeå; “it is a nicer environment here. It is a more ‘streber’ mentality in Stockholm, many people strives upwards and wants promotions, while here, people have an understanding that you have a family and that work is not everything”.

None of Bo, Bill and Bengt could say that there are any specific individual associated with Beta, “we are very different, we are not one single type here” as Bill simply put it. Bo said basically the same thing but added that close relations is what unites Beta. Bengt mentioned that when he started working a couple of persons had transferred from Alpha to Beta and that his understanding was that Alpha has a hard time keeping their employees, his comprehension of that was that they had to work extremely hard but was not paid any overtime compensation. Bengt continued by mentioning that auditors at Big 4 firms do basically the same job and do not think personalities differ too much, he concluded; “I do not think it is feasible to employ the same personality type”.

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Interpersonal relationships

All of Bo, Bill and Bengt talked about good interpersonal relations at Beta. Bo said that they aim to build up teams all the time regardless of the task, and that this has created a strong unity, “I would say that we become like sport teams, almost as when I played basketball in school or something” he said. He continued by saying that Beta as a company has a focus on creating this unity, “even though we are very large in size we try to embrace the feeling that we are a smaller company by creating closer relations”. Bill expressed the relations among the employees as uncomplicated, he mentioned that they are not much for the hierarchy that the Big 4 firms strive for, he imagined that being located in the north of Sweden contributed to that fact.

Focus on knowledge development

“Development of knowledge is the most central focus of the entire organization” Bill expressed. He mentioned that you are supposed continuously develop new knowledge during your entire career. How this is manifested at Beta is through a very structured system of education as all of them mentioned. Bill said that each individual has a personal career counselor that is supposed to guide you and to find your strengths, weaknesses and perfectibility to see what you should focus your knowledge development on. The educational program is predetermined with mandatory courses from the start and for the first five years Bengt mentioned, but even after those 5 years he has to attain a certain number of hours in training as required by FAR. He continued by saying that he personally cannot be fed up with knowledge, “I would love to have even more training to be honest”.

Bo and Bill talked about the educational form in positive terms, “I believe it works really good and fits its purpose” as Bo said, “it is much fun” was Bill’s brief answer. Bengt however, had some critical points to declare as he mentioned that the quality of courses sometimes varied. He said that Beta has harmonized the education for the Nordic countries and that all courses were in English and that this caused some turbulence since some employees were not happy about it. He concluded by mentioning that Beta has a large focus on knowledge since it is knowledge they sell.

Knowledge sharing

All three concluded that there is a large focus on knowledge sharing among the employees. Bo said that this comes naturally from the career ladder that Beta has, “you start of as an associate and then becomes a senior after you have worked a couple of years and then start to tutor the junior associates”. Bill did also discuss the knowledge sharing at Beta as a natural process, “since the audit teams are put together with people with different expertise and experience people will learn from each other”. Bengt mentioned that there is a requirement that the auditor in charge gives feedback to junior associates for assignments that takes more than twenty hours. He said that this can sometimes be problematic since his feedback requirements is something that he sometimes puts aside those months in which you work sixty hours a week, “feedback is something that serves its purpose best if you receive it immediately but I do not always have the time for that” he mentioned.
6.3.3 Analytical procedures

**Efficiency and goal of APs**

All of Bo, Bill and Bengt think that APs is an efficient method. Bo argued that he finds it hard to audit a company without the use of APs, since APs creates expectations. When you obtain knowledge about the firm’s general aspects like owners and investors, you can create general expectations on what should have happened in this company this specific year, “this initiating review of the company through APs is vital in my opinion” he argued. Bill said that APs are a really useful method since they lay out the big picture. Bengt is a big proponent of APs as he expressed, APs is basically the first sorting which directs the audit team on the right track later in the audit. He continued by mentioning that they are educating and promoting APs at a large extent at Beta’s entire organization at the moment; “this is to really exploit the advantages of APs, not only to use it mechanically as something that needs to be done and then follow the same process as we did last year. Unfortunately it is very common that people do this, especially amongst the junior employees. They do not use the information gathered from APs”. He concluded by emphasizing the fact that Beta are trying to streamline the audits as much as possible and APs have the power to make them do less time consuming detailed tests if performed and interpreted in a correct matter.

Bo, Bill and Bengt had different comprehension on the goals of APs. Bo said it is to create an expectation that enables him to look at the financial statements and to understand what deviates from that expectation. Bill came once again with a concise statement; “the goal is to create efficiency”. Bengt argued that the goal is bipartite. On the first hand it is to streamline the audit process and that this is the company’s largest aim. On the other hand, the goal is to audit the right things. In other words, you should exploit the information gained through APs when going deeper in the audit and performing test of details. “You should not review for the sake of reviewing, I should have a reason to perform those detailed tests that I do” he expressed. He concluded by summarizing that APs are about streamlining, reviewing the right things, and not to miss out obvious misstatements.

**APs and the level of competence**

Bo mentioned that he started using APs from day one and that he got criticized from day one, “I believe that all new associates are very bad at it” he argued. He mentioned that you realize after a while how incredibly skilled more experienced staff like partners are in making APs, “by only looking at the balance sheet they immediately get a good knowledge about the audited company and spots suspicious accounts at the same time” he mentioned. He sees APs as something you are bad at in the beginning but becomes really good at with experience. Bo has developed his competence level in making APs through a system that they call review. “When you do an AP it is going to be reviewed by a senior employee in order to ensure that it is of reasonable quality”. He continued by explaining that the complicated part of APs are to analyze and explain what has actually happened, the process of reviews forces auditors to develop this skill. The review process is something that he likes and presents a good way of learning, he concluded by saying; “there was a theoretical class I took on APs and to be honest I do not think I grasped anything at that course, I almost fell asleep. APs in practice however are another thing, so I really prefer learning by doing”.
Bill has learned through years of work, “it is only to accumulate, there is no shortcut” he argued and mentioned that he had learned from courses he has attended and by co-workers. According to him, the best sources of new knowledge are co-workers like the people in his team which is changing depending on the assignments and requirements. He mentioned that it is not limited to the Umeå office but that he can work with colleagues from Stockholm, Skellefteå etc. “that exchange is priceless” he remarked.

Bengt has also learned through experience. “That experience arrives from working with a lot of different clients, from being perceptive and through dialogues with colleagues” he said. He continued by mentioning that another important piece is to learn to use the review tools in the right way, “we have really good tools for assisting you with your APs” he said but emphasized that if you do not know about the benefits of using the tools you are not going to use them either. He further said that it is rare that you through education learn industry specific issues, and that it is much about learning from senior associates out in the field, especially for junior associates. He concluded that they can improve a lot on giving feedback which is a good way of learning.

**Routines and guidelines**

At Beta they work with computerized review tools that have clearly set structures which the auditors must follow as Bo, Bill and Bengt mentioned. A person on a more senior level can modify the guidelines to be more appropriate for the specific client as Bill said. Bengt clarified that their review tools are completely based on ISA, “they tell you basically what you should do and in some of those steps there are mandatory APs”. He continued however by explaining that requirement regarding APs are in a very general form, “they can say: do APs and you can put different amount of value on that and interpret it differently, for example on how much time to put on APs”.

Bengt mentioned that he travels around to different offices and work with quality assurance and said that; “one thing I notice is that it is really hard to say if you have done enough APs or not, so when you are stressed it is easy that you only audit balance sheet accounts and conclude that you have enough evidence and that the APs are done in a rush since no one is going to comment that you have not done enough APs”. He extended by mentioning that the amount of APs performed is affected by ones personality type, “if you are analytically minded then you might use more time to calculate key ratios etc. and if you are not then you might not use APs as much”.

Neither of Bill and Bengt could say that their work changed when ISA was implemented. Bill clarified that the standards differ but many scenarios that ISA emphasizes have not happened to him and that they might not happen during his entire career. Bo was not sure if it had or not, he mentioned however that ISA puts a larger focus on APs than its predecessor RS.

**AP methods**

Bo did not think at any specific ratio can be seen as “the best” and works in any case, but that it is more the comparison between recent year information and budgets etc. Bo further explained that both financial and non-financial data can be used in order to create expectations. Bengt said that you must first divide your assignment into their specific industries, and that seasonal variations and key ratios are widely used, there are however a bunch of key ratios available as he mentioned. He continued by providing an
example; “if I audit a restaurant then gross margin on food and liquor is a classic example”.

**Expectation development**

Bo develops expectations through a close contact with the client and through a lot of inquiries. He continued by mentioning that keeping a close contact with the client has increased in the recent years, “when I started it was more of auditing behind a desk than to be out and discussing issues with clients”, a switch of methodology that he really appreciated. He continued by mentioning that the most important factor that decides who to speak with is dependent on what you want to know about; ‘for example, if I am reviewing the inventory the CEO may not be the best person to speak with” he said. He continued by mentioning that he is involved in the audit of a local dairy firm and that he just “hangs around” in the warehouse to get an understanding on how things work and concluded by saying; “so there can be several sources I prefer to get information from”. He later added that industry expertise is a deciding factor on how much work you need to perform in order to obtain a reliable understanding. Bill said that expected values come straight from the models they use, “there is no chance or guessing” he expressed. Bengt often self-generate explanations, an ability that comes from industry expertise and sometimes logics. He mentioned that he works with a lot of companies in the energy sector and that is all about getting a knowledge of the company, what they do, what they sell, what is reasonable or unreasonable through a comparison with other similar companies, “it is from that knowledge really” he concluded. He added that he sometimes might to speak with someone who have had a similar assignment and learn from his or her experience.

**Finding explanations**

Bo expressed that the real work starts when he search for explanations to unexpected differences. He mentioned that they have several review methods they can use depending on where he discovers the unexpected difference and that he in many cases discusses with a more senior staff member on what methods to use. He continued by saying that different occasions require him to be creative in his ways to obtain evidence. Bill and Bengt’s answer was in line with Bo’s as they mentioned that you have to “dig deeper” to find explanations, “you do a tremendous amount of test of details if the AP show something in contradiction of our expectations” as Bill expressed. Bengt always start with a dialogue with the client, and then perform test of details, the amount of testing depends on the clients explanation and its reliability. He continued by mentioning that if the client themselves cannot come up with explanations he will try to generate them by himself.

Bo argued that it is dependent on the circumstances of the case whether or not an explanation is acceptable. He continued by mentioning that the Big 4 firms have a great level of in-house expertise, “which means that you never are left alone with your pants down” he expressed. In other words there is always someone that can guide you. Bengt said that it depends on who he speaks to and concluded that; “it is hard to say but it is a collective judgment based on trust, history and what I notice during the audit”

**APs and workload**

Neither of Bo, Bill and Bengt thinks that APs are connected with heavy workloads. Bo said that APs are a way to reduce the workload and that it is a comfortable method to use compared to test of details. Bengt added that as long as you know what to look for and knows how to obtain the information the workload should be small.
All of Bo, Bill and Bengt agreed that there are stressful periods in their job, but neither of them said that it affected the quality of their work. “I would say it only affects my personal life” Bo phrased it and “it just cannot, it builds on the fact that quality must come before anything else” Bill expressed.

6.4 Gamma

The third and final company presented is Gamma, the interviews were performed at Gamma’s head office in Stockholm with the two auditors, Georg and Gabriella.

6.4.1 The auditors

Motivation

Georg said that there are many aspects of the work that motivates him for staying at the firm; “What motivates me is partly the salary trend I have which probably will continue to increases”. Further, he said that the work probably will become more fun the more you advance within the firm and that the workload will likely decrease as time goes by. However, Georg also revealed that there are some aspect of the work that speaks for leaving the firm; “The disadvantages is that many colleagues disappear and the requirements from the standards of ISA and the firm”. Gabriella mentioned the hierarchical ladder within the firm and said that the motivational factor for her is that the opportunities within the firm are clear, “You know where your next career step is. There is a goal in sight”. She further sees motivation in gaining more responsibilities and that there is a continuing learning process.

Ambition

Both auditors suggested that they do not strive towards becoming a partner and that they might try something else in the future. Gabriella mentioned that she gets a lot of job offers that she argued depend on the high expertise you develop by working as an auditor, which she said is highly valued among employers.

6.4.2 Characteristics of the firm

When people ask Georg about the company he usually tells them to watch a movie of lawyer firms since Gamma is a partner bureau, it is however a light version of that with more soft values. He continued by saying that his impression of the Big 4 firms is that there are soft values but still pretty hierarchal compared to most other Swedish firms, and said; “Gamma could gladly have been more flat, that is how I want it”.

Gabriella mentioned that the hierarchical ladder is a structure that you follow, “you work a couple of years and then you get promoted” she said. She continued by mentioning that Gamma is a very ambitious workplace and that everyone there are very dedicated and that is something that shows through the entire organization. This culture comes from a focus on the employees, “a lot of effort is put on the development of human capital” she expressed and continued by mentioning that she feels that you can always strive forward and develop your expertise at Gamma. Her opinion on the hierarchal structure is in line with Georg’s that it could be a more flat structure since job titles sometimes can affect in a negative way.

A high level of ambition characterizes the employees at Gamma according to both Georg and Gabriella, Gabriella expanded by saying that she believes that people at
Gamma are very loyal. Georg mentioned that working at Gamma has its ups and downs. On the one hand, People there are nice and that the job is developing and presents a good salary trend. On the other hand, the job is stressful with a strong focus on delivery and many people gets burned out each year. “mostly it is girls that gets burned out” he mentioned. Gabriella also mentioned that the job is very stressful and concluded that; “the job becomes more like a lifestyle, what is negative about this is that people in many cases omit their personal life because of the job”.

**Interpersonal relationships**

There are good relations among the employees at Gamma with a large focus on helping and supporting each other according to Georg and Gabriella. “It is a team feeling, we work a lot with teams and that is maybe one of the reasons why we work so much” Gabriella expressed. What have contributed to these relations are according to Georg the personality types of the employees and concluded by mentioning that; “it is probably some sort of culture as well and a wish from management”.

**Focus on knowledge development**

Gamma has an educational system that is very clear structured for the first couple of years as both Georg and Gabriella confirmed. Later in your career the education becomes more individual specific in which you can choose your courses based on your preference. Georg mentioned that you get a maximum of 80 hours of theoretical education each year and both Georg and Gabriella argued that there is a lot of formal education. There is however a mix of learning by doing from practice and from theory which Georg emphasized. Both Georg and Gabriella think that Gamma’s system of knowledge development works well.

**Knowledge sharing**

Georg and Gabriella mentioned briefly that there is a large focus from Gamma to share knowledge. Gabriella elaborated by saying that they work in teams and that knowledge is shared in both directions, “the team leader should pass knowledge to the team members and the team members have to report their findings, otherwise it is difficult to do a good job” she concluded.

### 6.4.3 Analytical procedures

**Efficiency and goal of APs**

Georg and Gabriella find APs to be an effective method. “you pick up deviations very well depending on how detailed you are in your procedures” Georg mentioned. Georg extended by mentioning that APs are a good way of understanding the organization and it is easier to find big errors than if you perform test of details on a larger extent. He continued by mentioning that he has grown tired of Gamma in the US and UK since they only perform “check-list auditing” and ignores APs in a large extent. He phrased that; “they do not understand anything about the organization but they still do everything they need to do. So they have their backs free but do not understand their operations and cannot help their clients”. Gabriella argued that APs are good in numerous ways, “It is a good initial dialogue that provides you with a good knowledge of the company. And then to develop expectations in excess of what the client tells you”. Gabriella said that besides being a very important method, APs are a very fun part of the audit. She further mentioned that it is with APs that you get an overall understanding and that it is something that you learn more and more through experience; “a junior associate might not understand more than that the numbers differs from each other but
after a while you learn to grasp how things relate to each other and understand that it is no coincidence that numbers look as they do. When you can see these connections, then it becomes interesting” she expressed.

The goal of APs are according to Georg to reach enough comfort so that you think that the account is okay, he added that it is often accomplished together with test of details. Gabriella argued that the goal is to obtain an understanding of the company and to consider what accounts in the audit to focus on.

APs and the level of competence
APs are something that they both have learned through experience. “You maybe have started by doing your first AP and seen some deviation, but then to put everything in relation is something that you learn by doing” as Georg phrased it, and “APs are a something that you learn early on, they are simple tasks to learn. But with experience you learn to grasp how things relate to each other” Gabriella said. She exemplified by saying that if debts have increased a lot and account payables have decreased a lot then you should turn your focus on the cash account since that should have been affected, “it is those kind of understanding about the interconnectedness of the financial information that you learn from experience” she argued and concluded by mentioning that through that understanding you automatically will develop expectations.

Georg said that the big parts like knowledge of new accounting rules comes from education as he discussed how he prefers to learn new things. He continued by mentioning that for smaller parts he will either check the standards or discuss it with a colleague, “we discuss pretty much with each other” he expressed. He concluded that the most effective method is to ask someone else. Gabriella prefers to obtain new knowledge through her colleagues from a lot of discussions, “this is something that you learn from the start, you report that something has happened and you ask questions on how that information can affect other parts of the financial information for example. Is there something I should think about? Etc.” she argued and concluded that those dialogues with feedback are very important and developing.

Routines and guidelines
Georg and Gabriella said that Gamma has guidelines that are based on ISA but that Gamma’s requirements are a bit more “extensive” as Georg phrased it and “stricter” as Gabriella expressed. Gabriella clarified by mentioning that ISA are more specific in that they tell you what to test; “ISA does not specifically tell you what to do while the audit guide can say more specifically if you should test something, you have to make this many spot-checks etc.”. These stricter guidelines come according from her, from the fact that Gamma is a global company and that they do not rely on APs in e.g. USA in the same extent as in Sweden.

Georg was not sure if he had noticed any changes in his work as ISA was implemented. He mentioned that there is a larger focus on APs but that it was in line with an overall improvement process for Gamma. Gabriella said that she had not noticed any significant changes in the way that she works with APs from the new standards.

AP methods
According to Georg; “the AP method used depends on the account but that benchmarking is always a good method”. Gabriella mentioned that it is very different depending on the client but said; “you always do a comparison with last year’s
numbers, you always look at that”. She continued by mentioning that the expectations she develops from discussion with the client will make her decide of the most effective methods to use.

**Expectation development**

Gabriella simply said that most information that guides her to develop expectations comes from a good knowledge of the client, a knowledge that arrives from a lot of inquiries and from experience. Georg mentioned that the best way to obtain information is from industry data, “from that data you can do good benchmarking” he said. Finding good industry data is however not easy as he pointed out. He continued by saying that he often requests such data but that he in many cases will not receive it. As a consequence they have to perform more tests of details than necessary in those cases where he cannot obtain reliable data that he can use to put things relation.

**Finding explanations**

Georg mentioned that the analysis is usually performed on an annual report basis and that he usually starts reviewing there when he search for explanations after having discovered unexpected differences. Then if you find deviations, you go down on an account basis where you can find what account this difference depends on he explains. Then he will discuss this with the client and ask: “why is it like this” he expressed. He continued by mentioning that the explanations received from the client often are good and valid but that test of details often are used as a complement, “in which you ask to see e.g. invoices” he phrased. Gabriella answered in a similar way and mentioned that this is when you sit down with the client and discuss with them in order to obtain information that can explain the possible deviation. She explained that you document the information obtained and go back to the team and explains what have happened during the year, “from that we decide how to proceed to in order to find the explanation” she concluded.

To decide if an explanation is acceptable is dependent on several factors like the type of deviation, sensitivity of the account and the company. “If it is a public company, staff related expenses can be really sensitive” Gabriella mentioned, “then we have to review the account very closely” she continued, “it is not very scientific at all times” Georg clarified and continued by saying that; “sometimes there is an explanation that I suspected to be there, you might be aware that there have been an acquisition which then increases the rent expenses for example. Then you can accept that they just say that”. If an explanation is not very clear they will proceed with test of details he mentioned.

**APs and workload**

Georg and Gabriella had made clear that the job is connected with stressful periods. Georg mentioned that stress will affect him negatively and expressed that, “if I have a lot to do I have a hard time to focus”. Gabriella mentioned that stress has the consequence that you have to work a lot, but she clarified that the quality of her job is not affected by it; “you always have to quality assure everything you do, so you cannot be sloppy”.

The works with APs however, are not connected with a lot of stress as them both concluded. On the contrary, APs will more or less earn you time as Georg expressed; “If you perform APs instead of test of details you will to some extent get away with less hours, which is good for our budgets”.

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7.  Analysis

To address the research question of this study, this chapter exhibits an analysis of the empirical findings with the support of the various theories chosen for this paper. The analysis is performed in the light of the aim of the study; to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors. This will entail uncovering underlying factors affecting the work with APs. The chapter is divided into three parts that compose of the elements of practice theory.

7.1 Practices

Practice theorists claim that society has an influential part on human behavior, and that social tradition and norms are incorporated in it. These macro factors are referred to as practices and incorporates, as mentioned, broader forces as the society but also important organizational practices like shared understanding, cultural rules etc. (Whittington, 2006, p. 613)

From our empirical observations we find indications that the companies involved displays strong organizations and a large focus in incorporating their norms and culture etc. to their employees. As we have seen, the auditors involved in this study have talked about a high performing culture and high level of ambition with a focus on growth and delivery, which indicates that practices are a major influential area as it comes to the different practices of auditors, more specifically APs. These practices have been manifested in our empirical data in terms of the characteristics of the firm, focus on knowledge development and knowledge sharing.

7.1.1 Characteristics of the firm

All of the respondents mentioned that their respective company follows a hierarchal structure. The hierarchal structure is as indicated dependent on a national level and even down to office level as we have observed. The fact that the hierarchal structure depends on the national culture, i.e. it differs from country to country, has been indicated by several auditors but most clearly by Bill who have experienced the stricter hierarchy from discussions with colleagues at global meetings. Our comprehension of this is that hierarchy depends on a broader sense of perspective, which includes differences in national cultures and goes in line with the reasoning of practice theory that macro factors like national culture are influential (Whittington, 2006, p. 613; Schatzki et al., 2001, p. 1). The notion that the hierarchal structure is further affected by the office culture have been indicated by Anders and Bengt who have worked at both the Umeå and Stockholm offices at their respective firms and have both mentioned that the hierarchy is stricter in Stockholm. Bengt even said that every office is different in their structure. Also, effects of hierarchical differences at an office level results in differences in other aspects like values and career ambitions which is indicated in our interviews, the latter will however be analyzed later on. If and how a flatter hierarchal affects APs is difficult to grasp from our interviews but Anders expressed that it means that you get a lot of responsibility early on in your career. This enhances learning, including the learning of APs as we choose to interpret and is therefore an aspect that fits in the bigger picture of understanding APs on a practice approach.
A majority of the auditors did not believe that there are any distinctive characteristics that can be seen among the individuals employed at their respective firm in comparison to other Big 4 firms. We have however through our interviews received indications that the auditors at the firms included in this study have some characteristics in common. Anders told us that from the high performing culture they can early identify which individuals can or cannot manage the audit profession, Georg concluded that many people gets burnt-out and Gabriella mentioned that the job becomes more like a lifestyle. These statements slightly differ but we sense a clear picture of a high performing culture with ambition as a common denominator, yet another strong sign that social systems and cultural rules guide and influence human behavior as Foucault (1977 referred to in Schatzki et al., 2001, p. 1) argues. Foucault (1977 referred to in Schatzki et al., 2001, p. 1) did also claim society’s disciplinary practice softly shapes expectations and behavior. We have seen indications that acknowledge that notion for the audit firms involved in our study. The strongest indication comes from Gabriella who claimed that the team feeling is probably a reason why they work so much, thus, that team feeling shapes an expectation of behavior.

7.1.2 **Focus on knowledge development**

As Teece (2003, p. 902) expresses, the professional service firm is not unlike a research establishment or software development company. People acquisition, training and retention decisions are primary investment decisions. We have convincing statements that indicate that this notion is existent in the perspective of the firms involved, as all interviewed auditors more or less mentioned that knowledge development is a core focus among their firms with structured educational systems and a chance to direct your expertise to a desired level. As an example, Bill argued that the development of knowledge is the most central focus of the entire organization.

7.1.3 **Knowledge sharing**

Knowledge sharing is essential in order for organizations to prosper and crucial for individual learning and this provides incentives for professional service firms to create an environment where knowledge can be shared according to Ipe (2003, p. 338-340). As we have seen from our empirical observations, knowledge sharing is highly emphasized at their respective firms as all auditors could conclude with more or less strength. Anna, as an example, said that knowledge should always be passed down to the less experienced and that this is something that is in line with the “on the job training” that is incorporated in the entire organization, a line of reasoning that Bo also had when he mentioned that knowledge sharing comes naturally from the career ladder. We therefore interpret that knowledge sharing is a significant factor as it comes to learning in the audit environment of the involved firms.

The level of knowledge sharing is an issue that Ipe (2003) studied. The author presents a conceptual framework where four factors stand out as having significant influence on the knowledge sharing within organizations. The first factor is the **nature of knowledge**, which indicates that the kind of knowledge (experiences, facts etc.) you are dealing with, influences the process of sharing it. As it comes to APs, the knowledge that is crucial to share is an understanding of the business of the audited firm, as a basic understanding is critical in order to make efficient APs as our interviews have indicated. Furthermore, basic understanding of accounting and relations between financial accounts is an important matter.
As all of the participants mentioned, they have good review tools that provide them with knowledge of understanding a business e.g. prior year financial information, industry data etc. This knowledge is something that we choose to interpret as explicit and easy to share as in line with the definition compiled by (Collins, 2010, p. 15). The tacit knowledge is defined by Collins (2010, p.1) as individual specific knowledge, such as personal experience which is harder to share. The tacit knowledge as it comes to APs is something that we comprehend as additional industry and business information that the review tools are unable to teach as it can only be supplied from experience and the sharing of that experience as several auditors indicated. Furthermore, an understanding of relations between accounts is also something that we find as tacit and arrives from several sources and will be discussed later on in the analysis of the practitioner. The tacit knowledge that involves the additional business and industry information is technically easy to share as indicated by the majority of the interviewees but is influenced by the opportunity to share which is the third factor and will therefore be brought up there.

**Motivation to share** is the second factor influencing knowledge sharing, and as the name suggests it is related to incentives individuals have to share their knowledge (Ipe 2003, p. 345). It has been made clear from our interviews that the audit firms involved in the study work a lot in teams, those teams consist of individuals with different titles and work experiences and they work towards the same goals. A situation that demand for knowledge sharing in order for the teams to properly function as have been indicated by several auditors but mainly from Anna that really emphasized that an open environment with trust and knowledge sharing is important in the audit teams. In other words, the motivation to share is indicated to be high as it is vital for the audit teams to properly function.

However, we have observed some indications that the knowledge sharing is not always optimal and could be improved. Anders indicated that everything should be done efficiently in today’s “money controlled world”, meaning that there is little time for follow ups and reflections. Anna said that if there is enough time and the circumstances are perfect, then knowledge sharing is a good way of learning. Bengt did mention that feedback is something he can put aside when he has too much work to do. Our interpretation of these statements is that the time factor is a major determinant issue as it comes to knowledge sharing.

**Opportunity to share** is the third factor and concerns the opportunities workers have to actually share their knowledge as Gibbins & Wright (1999, p. 32) argues. From our respondents we have received indications that the opportunity to share is relatively high except for the time factor which sometimes aggravate knowledge sharing. This comprehension comes as mentioned as a consequence of a large organizational focus on team work and an incorporated system of feedback that according to our respondents works well.

Gibbins & Wright (1999, p. 32) suggest that mixing people with different backgrounds and engaging them in teamwork will create relationships that will help improve the opportunities of knowledge sharing. A situation that is indicated to exist at the involved firms, for example, Bill did explicitly say that the process of knowledge sharing at Beta is a natural process since the audit teams are put together with people with different expertise and experience people will learn from each other.
Culture of the work environment is the last factor that according to Ipe (2003) affects knowledge sharing within an organization. The culture in a firm is more seen as an underlying factor since it affects the other factors of knowledge sharing according to Ipe (2003, p. 350). As have been indicated by several of the respondents, there is a large focus on knowledge sharing in the firms involved, furthermore, knowledge sharing comes as a natural process in their everyday team work. This is something that we interpret as indicative of cultures that exhibits knowledge sharing. Hence, the cultures of the firms involved facilitate both the motivation and the opportunities to share knowledge.

7.2 Practitioner

Practice-theorists emphasize the individual (practitioner) as an influential input to practice. This comes from the fact that actors are not seen as autonomous individuals but as interpreters of practice and that their practical skill makes a difference because they are creative enough to alter their activities from reproduction of initial conditions like norms and standards etc. (Bourdieu, 1990, p. 25)

From out empirical observations we have obtained indications that auditors are not homogenous actors but in contrast, individuals with different mindsets and attitudes towards several aspects. Furthermore, we have obtained clear evidence that demonstrates that the tasks carried out by auditors in general are affected by the practitioner and his attributes and more specifically the handling of APs, and follows in line with the reasoning from practice theory. The significant attributes that have been observed in our study are factors like competence level/expertise, experience, response to stress, motivation and ambitions.

7.2.1 The auditors

Motivation

The auditors’ at Alpha and Beta said that their motivation to stay at their respective firms is due to the personal development and the varying job tasks. The Alpha auditors’ did for example say that meeting different clients was motivating, while Bo at Beta said that learning things continuously was what encouraged him. Georg said that his motivation to stay at Gamma is mainly his salary trend and Gabriella said that the hierarchical ladder is motivating for her, that the opportunities are clear. Similar motivational factors have also been found by Chia (2003, p. 104) where the expertise of firms, rewards and the security of working at a big audit firm where found to be the main motivational drivers. Such motivational factors are believed to be fundamental in the execution of activities within professional firms (Farmer & Rittenberg, 2011, p. 16), hence, we argue that it can influence the execution of APs.

Ambition

Farmer & Rittenberg (2011, p. 16) found that among auditors’ in the higher ranks or those who strive to become a partner, there is a higher need for achievement, i.e. a higher motivation to perform. Overall, the motivation among our interviewees to become a partner was low. The majority said that they were either very uncertain about their future or that they did not want to be a partner. However, we interviewed two auditors that had a long work experienced and who both had a reached a manager position, the goal to become a partner where evident. It is hard to relate this to the work
with APs and how the motivation and need for achievement affect this method. However, the findings by Farmer & Rittenberg (2011, p. 14) and Brierley & Gwilliam (2003, p. 433) suggest that the quality of audit activities is affected by one’s motivation, and that the ranking within the firm affect the motivation.

### 7.2.2 APs and the level of competence

Bo claimed that new associates are lacking the necessary knowledge and experiences regarding APs and thereby do not have the same competence level as the more experienced staff, who have built this competence through years of work. Bo, and his associates from Beta, mentioned that the support from senior staff is an important element in the process of becoming more skilled at APs. The fact that you have the opportunity to ask other auditors’ within the firm seems to be a contributing factor to the work with APs. The perks of such opportunities is also evident from the interview with Georg who claimed that asking someone else is probably the most effective method to gain new knowledge regarding APs. Brierley & Gwilliam (2003, p. 433) touch this issue on an individual level where they state that the process of ‘fitting in’ starts immediately when you start working and that this process involves taking in as much knowledge as possible from the senior staff. The authors also argued that it is essentially this knowledge and motivation from seniors that influence the willingness to perform audit activities and consequently the quality of them.

Anders, one of the more experienced auditor’s, reveals that the reason behind his high competence of APs that he claims to have is based on a genuine interest and an eager to learn, i.e. he has a motivation. The findings in the study by Farmer & Rittenberg (2011, p. 16) support this notion and suggest that having motivation will help apply the abilities of an auditor in the best possible way. Anders, in line with Farmer & Rittenberg (2011, p. 14), suggests that in order to become skillful at APs and reach a desired level of competence a motivation to learn is necessary. Chia (2003, p. 103) explained that high expertise and attraction to the meaning of working as an auditor is an indication of high motivation. The factor of motivation might then influence the work with APs, i.e. that they are affected by the auditor’s motivation. To extend this to our study, one could suspect APs to be performed better by e.g. a person who is motivated to continue working with auditing than by a person who does not have that career ambition. Of course there are other factors that affect the quality of APs and that outperform the role of motivation, such as competence of APs.

The experience of working with APs was, among our interviewees, consistently seen as the most important tool in order to reach a sufficient level of competence of APs. Experience is according to the study by Ferguson et al (2003, p. 433) an important variable in obtaining expertise. As earlier presented, expertise has also been found by Herling & Provo (2000, p. 1) to be a source of economic advantage for firms, thus making learning from experience in this case an even greater tool for audit firms. The importance of experts and the competitive advantage that comes from such individuals has also been emphasized by Teece (2003, p. 908).

Another knowledge source alongside experience is education, which e.g. was said by Anna to be essential in order to understand the purpose of APs. The other auditors did not emphasize education quite as much, instead they recognized that education was a part of the learning process but that experience still is the most influential one. Georg said that education was not an important source for the major parts of an audit; rather it
was used to gain knowledge about changes in standards and such. However, Georg also told us that Gamma have recently focused more on educating their employees in APs, thus seeing an improved competence level regarding APs throughout the whole firm, which indicates the importance that formal education actually plays for the knowledge development in APs. Training can be a tool that decreases the earlier described knowledge gap between auditors. Training offers a learning opportunity where new employees quickly can get critical knowledge to survive in the workplace, this include such things as abbreviations, day to day activities, practical work etc. (Hsiao, 2008, p. 133). Training is a tool that is widely used by the audit firms involved as we have seen.

7.2.3 APs and workload

All of the auditors’ that we interviewed mentioned that APs are not connected with a heavy workload and Gabriella and Georg concluded that APs are not stress related. Instead, several suggested that the test of details is much more time consuming despite its simplicity. Still, APs involve the element of thinking outside the box and that it demands certain expertise to perform APs according to Anna. Furthermore, you need to be comfortable and experienced with the method. Anders provided a similar explanation; he said that if you want to do APs properly and understand the results you have to put some time behind the work. This might indicate that those who have a sufficient competence level see APs as a method that eases the workload, while those who do not possess the same competencies see it as the opposite. Haskins et al., (1990, p. 376) found that working outside ones competence level were a source of stress and Larson (2004, p. 1120) explains that if an individual is not clear with how to perform a task, that can also be a source of stress. Further, Collins & Killough (1989, p. 93) suggested that whilst under stress, the performance and interpretation of activities can differ depending on what level of stress you have. This is far stretched, but it gives yet again an indication, in our case, that APs can be interpreted differently depending on one’s competence level. However, motivation plays a big part in this scenario as well. According to Anna can an auditor that lack sufficient competencies still do APs quickly. This is according to her evident if you are not bothered with understanding the outcome, furthermore she said it is a mental achievement to finish APs. Since a motivated person seeks to perform an audit with quality (Brierley & Gwilliam, 2003, p. 433), a person who lack competencies and yet performs APs quickly might be less motivated.

Besides providing us with explanations of how the workload of APs look like, our interviewees further provided us with their thoughts of how they perceived APs affected the overall workload. Bo explained that he saw APs as a method that can reduce the workload, and that for him APs was a more comfortable method compared to test of details. Furthermore, Georg said that APs will probably earn you time. Thus, our observations suggest that APs actually can reduce the workload and buy you time as an auditor. This does in turn indicate that you might be able to prevent factors such as stress and job dissatisfaction as a consequence of heavy workloads, tough deadlines and time pressure as presented by Larson (2004, p. 1119) if you use APs correctly.

Further, Georg suggests that using APs and thereby reducing the workload will also assist the budget. Otley & Pierce (1996, p. 33) stressed the issue of the auditor’s budget and said that it is of great importance to reach such time related budgets. This importance of reaching the budgets is also explained to create a pressure among
auditors’. Otley & Pierce (1996, p. 44) as well as Pierce & Sweeney (2004, p. 434) also found that as these budgets become harder to attain, the use of under reporting of time and audit quality reduction behavior tend to increase, i.e. dysfunctional behaviors. APs, which our observation has indicated is a method that decreases the workload and helps reaching budgets, could then arguably be a factor that both releases time pressure and prevents dysfunctional behavior.

Two other factors that Larson (2004, p. 1125) exposed as causing stress was rewards and the opportunities for further training, where lower rewards and less training opportunities than expected would result in stress. Neither of these factors was found to be sources of stress in our case, which might depend on the fact that the audit firms fulfill these issues. It has earlier become clear that there is a lot of training opportunities offered at all three firms and Georg said that his firm provides a good salary trend. This indicates that the audit firm manages to prevent stress by providing sufficient rewards and possibilities for training.

7.3 Praxis

*Praxis* refers to people’s actual activity in practice. Activities are followed in ready ways in some sense according to the situated action. Those ready ways are created through routines, rules and standards etc. The praxis as it comes to APs is how the auditors actually perform APs as it comes to expectation development, finding explanations, what methods to use etc. ISA 520 and the routines and guidelines set by the audit firm are guiding the auditor how to perform APs.

From our empirical observation we have noted the auditors’ comprehension of APs, such as the goals and efficiency of APs. Furthermore, there have been observations that indicate that the participants’ methods and preferences in obtaining information in order to develop expectations and generating explanations can differ.

7.3.1 Efficiency and goal of APs

All participants remarked that APs are an efficient and highly usable method. The usefulness of APs is multifaceted as we have noticed several different takes on the efficiency of APs. Basically all respondents mentioned that APs are efficient in creating an understanding of the business which is useful in developing expectations about the financial status etc. of the audited firm, Bo did even say that APs are vital in that sense. Furthermore, APs are seen as important and efficient as a substantive procedure, Anders mentioned that APs are invaluable for transaction intensive companies and Georg said that it is easier to find big errors with APs than with test of details. Moreover, APs are efficient in the sense that it has the power to streamline the audits. In other words, if done in a proper and effective way APs can lessen the workload, hence, save money for the audit firms as indicated by Bill. Hence, we can yet again see that the notion by Herling & Provo (2000, p. 1), that expertise among individuals in an entity is a significant and sustainable economic advantage, is evident in audit firms since expertise is indicative to improve APs as we interpret. Another point we want to make is that the organization plays a big part as how they choose emphasize the usage of APs. As indicated, the usefulness of APs is more recognized in Sweden than in the U.S for example as Georg and Gabriella mentioned which further enhances the picture of broader macro factors like national culture as a guiding and influencing part of human behavior as Foucault (1977 referred to in Schatzki et al., 2001, p. 1) argues.
Some of the auditors’ comprehensions of the goal of APs differed. From for example Anna’s more general expression that the goal is to accomplish the goals with the audit, to Gabriella who argued that the goal is to obtain an understanding of the company. The fact that they expressed different goals was no big surprise since APs can be useful in more than one way and indicated that the notion of Bourdieu (1990, p. 25), that actors are not autonomous individual but as interpreters of practice, exists. The differences was however not of significant extent and thus not of large importance for the outcomes of APs. However, from their answers we can see some indications that the auditors put different values in APs, for example Georg said it was to create enough comfort so that he knows that an account are okay while Bengt emphasized the fact that the goal is to exploit the information gained through APs in order to streamline the process. In other words, Bengt might value APs relatively higher than Georg, this is however no convincing evidence but more of a clarification of the notion that APs can be interpreted and performed differently.

7.3.2 Routines and guidelines

Our respondents mentioned that their specific company has a well-structured computerized review tool that assists them in their in their audits in general and more specific with their APs. These tools are based on ISA but are stricter and more detailed than the standards. Still, the requirements regarding APs are in a very general form as Bengt clarified and emphasized the auditor’s judgment as a factor that affects APs. Bill and Anna both said that a person on a more senior level can modify the guidelines or make another judgment based on his expertise. These statements go in line with the notion from Whittington (2006, p. 616) that an individual’s practical skill can make a difference because you are creative enough to alter your activities from reproduction of initial conditions like norms and standards etc. Furthermore, they provide indications that suggests that Teece (2003, p. 897) conception that the expert can, because of his high demanded abilities dictate the terms of employment is evident in the environment of the firms involved.

7.3.3 AP methods

All auditors interviewed indicated that there is no single AP method that can be seen as the best or that works in every case, this is since the choice of APs is dependent on the audited client. However, most of the auditors indicated that a comparison to prior year data and benchmarking with similar companies will almost always be used. The fact that the usage of APs is dependent on the client is evidential that they can be performed differently and makes clear why guidelines for APs are not that strict.

7.3.4 Expectation development

How the auditors’ involved gathers information that helps them develop expectations is however more clear, as basically all of the interviewees said that they gather it mostly through inquiries with the management of the audited firm. There are however indications from several of the respondents that the effectiveness of the process of gathering information is dependent on experience and level of expertise and reconnects with the analysis of the practitioner i.e. that his abilities affects the work with APs. As an example, Bengt who is one of the more experienced auditors in our study argued that he in many instances self-generate expectations, an ability that comes from industry expertise which mainly has arrived from experience. Bill who is less experienced gets his expectations straight from the models they use. This pictures the earlier discussion
that an expert’s practice can deviate from the norms because of their specific skills as Whittington (2006, p. 616) argues and this further enhances that notion in our opinion.

7.3.5 Finding explanations
When an unexpected difference has been discovered the “real work” starts, in other words, the unexpected difference must be explained, and there are a lot of measures that is available to an auditor to accomplish this as have been indicated by all auditors interviewed. A dialogue with the client is the normal procedure to start off with and then it is up to the auditors’ judgments to decide what to do next. Bo who is relatively inexperienced mentioned that he in many cases discusses with a more senior staff member on what methods to use while Bengt who has a lot of working experience prefers to self-generate explanations. This once again picture that APs can be performed differently based on e.g. competence level.
8. Conclusion

The aim of this chapter is to provide our conclusion regarding the empirical findings and analysis of this study and put them in relation to our research question. Furthermore, recommendations for further research will be presented.

This thesis analyzes the concept of analytical procedures (APs). We have aimed to conceptualize the term APs in order to provide an understanding how APs are emphasized and used in practice by auditors which has entailed uncovering underlying factors affecting the work with APs. We have with this study been able to show indications that APs can be useful in various ways and have the potential to streamline the audit process and save time and money for audit firms if performed and interpreted in a correct and efficient way.

Another finding is that the different AP methods are relatively easy tasks to perform. However, the difficulty is to know how to apply the different methods to different clients and accounts and to interpret the results correctly. Hence, an auditor’s judgment is a critical factor for the outcome of the usage of APs. We have through our practice based approach been able to investigate the underlying factors that forms an auditor’s work with APs, first, in the terms of practices which are broader macro factors like shared understanding and rules in an organization and a wider social field. Secondly, through the practitioner, this is the auditor himself, and his various abilities that can influence the practice. Thirdly, through the terms of praxis which are the rules, guidelines and routines an auditor is faced with. As have been indicated in this study, these factors are all interconnected and collectively highly influence and form the practice of APs. We have from the approach of practice theory been able to provide a rich description to our research question which follows;

How are analytical procedures (APs) performed by auditors, and what factors causes that practice?

The factors that this study has been able to uncover as influencing to APs are shown in the figure below and reflect factors regarding: Practices, practitioner and praxis. These factors have been indicative to influence APs at different levels, either directly or indirectly. The aim has not been to provide answers to how much each factor contributes or what factors that are most influential, but more to provide a deep understanding of those factors as previously mentioned. A more thorough review of the different factors follows in the next section. We start off with praxis which includes a summary of how APs are emphasized and performed in practice. Subsequently, practices and practitioner factors will follow.
8.1 Praxis

8.1.1 Efficiency and goal of APs

We have through this study provided strong indications that APs can be a very efficient method if performed in a correct way. Furthermore, it has been indicated that APs are multifaceted and useful in the following ways:

- Creating an understanding of the client.
- As a substantive measure in finding misstatements.
- Capability in finding big errors for transaction intensive companies.
- Streamlining the audits.

This raises several issues; the most significant is the importance of expertise amongst auditors, as a certain level of expertise must be reached in order to perform APs properly, which demonstrates the influence of the practitioner. An obvious way of reaching that competence is a strong organizational focus on knowledge development and relates to practices. In other words, expertise will improve the efficiency of APs which might affect the entire audit process and save money for the audit firm as a result of less audit procedures as this study has indicated.

This study has demonstrated that the comprehension of the goals of APs can slightly differ from auditor to auditor. This is not a factor that we believe affects the outcomes of APs in a significant way, it is more an indication that APs can have several goals, which we find to be understandable because APs can be useful in more than one way. However, different comprehensions of the goals might indicate that auditors value APs differently, but that is an issue that this study has not been able to further analyze.

Figure 9. Factors influencing APs
8.1.2 Routines and guidelines

Routines and guidelines are important factors as it comes to the structuring of an auditor’s work with APs as this study indicated, the guidelines comes in forms of review tools that are more or less based on ISA. The routines and guidelines provide instructions to the auditor in terms of what needs to be done, i.e. APs needs be performed. The later measures like deciding what methods to use or deciding how much APs to use or how much one should rely on APs etc. are dependent on the judgment of the auditor as signaled by this research. Furthermore, it has been indicated that an auditor can modify the guidelines based on expertise, yet another notion that pictures the practitioner’s influence to APs.

8.1.3 Developing expectations

At the initial phase of an audit, APs are used in order to obtain a basic understanding of the audited client. This information is normally gathered through inquiries with the management of the client and then distributed to the audit team, either through meetings or through the review tools used at the empirical observation of the involved firm have confirmed. With sufficient information, the auditor can develop expectations of what he believes the financial statement accounts, key ratios and/or non-financial information etc. should look like. The method or key ratio used is dependent on the audited client and auditor preference as this research has indicated; hence, this study suggests that there are no universal APs that will be applied on every client. However, most of the auditors indicated that a comparison to prior year data and benchmarking with similar companies will almost always be used.

8.1.4 Finding explanations

When the auditor later compares his expectations to the real values, he will obtain a better understanding on what accounts to further review. The expectation development is a crucial part of APs as our research has shown, without reliable and carefully prepared expectations the usage of APs becomes almost pointless in our opinion. On the other hand, with good expectations, the auditor has the right circumstances to perform an efficient audit.

When the auditor compares his expectations to the real values, deviations might appear. If the deviation is significant, the auditor needs to find an explanation. A normal procedure is to start off with a dialogue with the management of the client in order to find out if the client has any explanations as this research has indicated. In many cases the client has reliable explanations and there might be no further measures taken to review that account, but the normal procedure is to continue the audit process, either through test of details, further substantive APs or most commonly, through a combination of both. If the explanation is not valid, a thorough review will start most commonly with test of details. The amount of further testing is however also dependent on several other factors like the importance of the accounts, client history, auditor judgment etc. Moreover, an auditor might self-generate explanations based on experience and expertise or ask more experienced staff for guidance as this study has indicated.

The findings related to an auditors work with APs raises several indications. The most obvious one is that experience and expertise of the practitioner are major factors that influence the work with APs. Furthermore, it further strengthens the picture that knowledge sharing is vital and evident in the involved audit firms which show the
influence of practices. Moreover, a more inexperienced auditor is not left alone with APs; there is always someone that can guide you. This is because of a high level of in-house expertise and the fact that they work in teams as this study has indicated, yet another signal of the organization’s role in influencing practice.

8.2 Practices

APs have been given a considerable focus among Big 4 audit firms in Sweden and are emphasized more than ever as this study has been able to indicate. This focus has been manifested through a large organizational aim to increase the use of APs among their auditors as well as an increased focus to educate their employees in using them. APs have also been more emphasized by the standards as we have obtained signs that ISA puts more focus on APs than its predecessor in Sweden, RS. If the larger emphasis on APs is a result from the switch to ISA has not been confirmed in this study, it is however more evident that it derives from a better understanding of APs as an efficient audit method and comes as a natural consequence of a focus on an overall improvement of the audit process. Moreover, findings in this study indicate that APs are more widely used and emphasized in Sweden compared to e.g. the United States. This further implies that the implementation of ISA is not the only factor that explains the increased usage of APs in Sweden since ISA is adopted there as well.

As mentioned, an auditor’s judgment is a factor affecting the outcome of APs and as research has shown, this can cause judgment problems. The risk for judgment problems among the firms involved in our study however is low. We base that statement from the indications that these firms have well integrated systems that to a high degree prevent judgment problems to be an influencing factor. These systems include quality assurance and reviews, which in other words means that an auditor’s work will always be scrutinized in order to assure the quality. Furthermore, the high level of in-house expertise and a culture that promotes knowledge sharing means that a less experienced auditor always can ask for guidance.

8.2.1 Characteristics of the firm

It has been indicated in this study that the hierarchical structure in audit firms affect an auditor’s learning curve. A relatively flat internal structure provides for a lot of responsibility within the firm early on in the career. This responsibility enhances learning, and as APs is part of the learning process we argue that APs might be affected by the hierarchal structure. Other indications that culture and social systems affect auditors and their work with APs is the team feeling at the firms and that the work as an auditor is evidently very demanding that further on develops more into a lifestyle. The team-feeling and lifestyle-feeling of the work is indicative as important elements for the willingness to work as much as they do, which ultimately affects the learning curve positively as has been indicated in this study.

8.2.2 Knowledge development and knowledge sharing

The development of knowledge is one of the most central issues in the audit firms involved in this study. This is manifested through a clearly structured educational system within the firms and a large organizational focus on knowledge sharing.

The knowledge related to APs has two different natures as indicated by this research, explicit and tacit. On one hand, the easy shared explicit knowledge comes from the
review tools that the auditors have available; these tools can provide helpful guidelines on how to perform APs as well as basic information related to the client. On the other hand, there is the tacit knowledge which include of a deeper understanding of business and industry related issues as well as the routines of performing APs that can involve spotting relationships between accounts and further accounting knowledge. We have with this study been able to indicate that there is a close relationship between sharing the explicit and tacit knowledge of APs with the motivation and the opportunities to share them, where the culture at the firms serves as an overall factor affecting all of the other factors.

This study further showed that the audit teams at the firms involved consist of auditors with different experience levels, and that within these teams there is an open environment where knowledge sharing is common. It is through the motivation from especially the more experienced auditors to share their knowledge that the understanding of APs is passed down to the less experienced. The tools used are also provided for the teams, and we further consider that the more experience auditors are important in the learning process of using these tools for the less experienced. It has also become evident that there are aspects in the firms that impede on sharing knowledge, despite motivation, and this is the time factor. Time for feedback and follow-ups are limited since this is time consuming, and time is costly for an audit firm as this study has indicated. The opportunities to share are further related to the diversity in the audit teams. We can from this study state that the mixing of people with different levels of experience provides for opportunities to share. The culture of the work environment is an underlying factor that affects all the factors mentioned above. The focus on knowledge sharing by a firm and its effort to implement such a culture can be argued to both motivate auditors to share and also to create opportunities for it. Consequently, the culture of sharing might also affect to what degree tools are learned and understanding of APs passed down.

**8.3 Practitioner**

**8.3.1 APs and competence level**

This study has indicated that different AP methods are relatively easy tasks to perform, however the difficulty is to know how to apply the different methods to different clients and accounts and to interpret the results correctly. In other words, the auditor’s competence level is an obvious issue that relate to the practice of APs. This competence is not widely evident among junior associates and the process to develop their competence is a central factor that relate to the practice of APs. The support from senior staff is important in the individual’s competence development as has been indicated. In other words, knowledge sharing is important for the outcome of APs. Nevertheless, the competence level is not only driven by the support from senior auditors. Having a motivation to learn, gaining experience and receiving education will also affect an individual’s competence of APs as this research suggests.

**8.3.2 APs and workload**

This result of this study indicates that APs are a method that can ease the workload of the total audit procedures if performed correctly and efficiently. To clarify, knowing how to perform APs can both make those procedures more effective and also reduce the use of test of details which has been suggested to be very time consuming. It has also been indicated that auditors without necessary competencies in making APs might
perform them hasty, as something that needs to be done, instead of performing them with stringency and quality. Thus, we argue that it is important to develop the competencies of APs since they have the power to streamline the audits and save money for the audit firms.

8.3.3 Motivation and ambition
We have found various factors that are indicative to influence an auditor’s motivation to stay at their respective firms. Examples include, continuous learning, the salary trend and career opportunities. How these relate to APs have not been strongly evident in this study. However, some signs have been displayed that an auditor’s motivation in performing various tasks and to develop competencies is essential in the execution of activities. Hence, appreciating the continuous learning process might positively affect an auditor’s work with APs. The other factors like rewards and career opportunities have not been indicative to affect APs.

Further, it was found that the motivation to become a partner was low amongst the auditors involved in this study. Some indications has become evident that motivation is related to the ranking an individual has within the firm, we therefore suggest that auditors with higher ranks might generally have higher motivation which might have a positive effect on the quality of APs.

8.4 Summary
The practices, practitioner and praxis elements are strongly influential to the practice of APs as the previous discussions suggests. What has also become evident is that these elements more or less influence and gets influenced by each other. In other words, they are interrelated as a part of a whole that collectively affects the outcome APs.

The most obvious manifestation of the relation of the three elements is in our opinion the connection between the organizations focus on knowledge development and knowledge sharing (practices) to the level of expertise among the auditors (practitioner) which leads to higher quality APs as indicated (praxis). Furthermore, the culture of the work environment as a normative factor guides and influences an auditor’s knowledge development.

8.5 Practical recommendations & contributions
By looking at APs with a practice based approach we managed to provide a deep and rich understanding on how APs are performed and emphasized by auditors, as well as uncovering different factors that contribute and influence an auditors practice with APs as displayed in figure 9. First off, the understanding on how APs are performed will contribute to audit students since they will get a clearer insight in the method and will hopefully open their eyes to the possibilities of APs in a possible future career as an auditor. Furthermore, management of audit firms might find this study useful since the result of this study gives an insight how different factors influence APs and how individual auditors develop their skills in making them. A practical recommendation is that audit firms should continue to emphasize the usage of APs but in a larger extent so that their employees fully understand its usefulness. They can for example look at the
result of this study and shape their education thereof in order to enhance the efficiency of the learning process.

This study has also indicated that APs are emphasized and valued different among auditors, i.e. some auditors might not be fully aware of the usefulness of APs, for example that it can decrease the workload and reduce stress if performed and interpreted in a correct and efficient way. Therefore, this study can also be of value to auditors as they will get a deep insight in the reasoning of other auditors with different ranks and experience levels, which ultimately could lead to a better understanding of APs.

### 8.6 Recommendations for further research

Concerning our recommendations for further research, we have divided our suggestions in two parts. The first part concerns recommendations related to APs and the second part is connected to other interesting findings we have obtained that might be interesting to look closer at.

This study only consisted of semi-structured interviews, where the focus have been on the underlying factors affecting the practice of APs. What we could see value in is to perform a mixed method approach and involve observations as a data collection method. In our study, the interviews could only elucidate the auditors’ opinion and stories of APs, which might not be in line with reality. Observing the work with APs would add a new dimension and cast light on how it is performed in reality. Supporting this with qualitative interview would give an even deeper insight in how it is done contrary to what underlying factors affect that practice, and is it also possible to do a comparison between how APs are performed and how auditors’ say they perform it.

Further, it would also be interesting to study if there is any difference between how the Big 4 firms perform APs to a smaller auditing firm. Additionally, involving the client in the study and to see what their opinion is of the firms’ work with APs would be interesting since that are ultimately the one who pays the bill. Here the focus could be on how auditors perceive the quality of their APs in contrast to how satisfied the client is.

Besides studies regarding APs, we have also done some other interesting findings that we think could be explored further. The most prominent non-AP related recommendation we have found is that of regional differences within the same firms, and possibly how this could affect the quality of an audit. We have found that the work differs in Umeå and Stockholm, but since we have not performed interviews of the same firm in these cities, we have not been able to say if APs differ within the firm. Thus, we see value in a research that focuses on one single firm and performs interviews at several offices of that firm around in Sweden. Teece (2003) do also suggest in his research that expertise is not only something that is company specific, but it is also office specific, which provides further incentives for such a research.

We have also found indications that the audit profession puts high pressure on the individual. It was said that there is a constant pressure to deliver at all times combined with a heavy workload. This was said to result in that many people leave the audit profession to work in another line of business. A study that investigates this loss of
human capital and what affect it has on the audit firm, e.g. its reputation, do we see value in executing.
9. Quality criteria

This chapter will present the various quality criterions that we consider to be of relevance for this study. This will include the trustworthiness and authenticity criterions.

The quality criteria of a study refers to the issue of its credibility (Saunders, 2009, p. 156), i.e. how can we know that what has been found actually is correct? However, quality criteria are seen as a critical issue in quantitative studies where the findings are generalized to a larger population. It is then vital to argue for if e.g. the findings are consistent (Reliability) and if they show what they are intended to show (Validity). Despite this, we find it relevant to argue for the credibility of this study as well since, if viewed differently, there are aspects of the quality criteria’s that are crucial for qualitative studies (Bryman, 2011, p. 394).

9.1 Trustworthiness

Bryman (2011, p. 395) present an alternative framework for assessing the quality of qualitative research, a framework that takes a different view of the more recognized criteria reliability and validity. Instead of using these two criteria, two alternative criteria are argued to be more suitable for qualitative research; these are trustworthiness and authenticity. Trustworthiness consists of four sub criterions that will be discussed below.

9.1.1 Credibility

Credibility, as it sound, refers to the assurance that the study has been executed properly, that the researches’ has followed what is coined as “good practice” and that it has been made sure that the data has been correctly interpreted (Bryman, 2011, p. 396). During our data collection we have strived to minimize manipulation, i.e. our influence over the results. We have e.g. not suggested any favorable answers from the participants during the interviews or prepared them on what to focus towards before the interviews. We consider this to be evidence that we have performed the study in good practice. Further, concerning the second aspect of this criterion, we have not contacted our participants for assurance that we have interpreted their answers correctly. However, we have carefully transcribed the material collected and thereby minimizing the risk of interpreting the answers wrong as we have proceeded towards the conclusion since we have always been able to go back to the original answers and double-check that our different parts says the same things. This process is shown in the figure below.
9.1.2 Transferability
Similarly to external validity, the second issue for the trustworthiness of a study concerns how well findings can be transferred to other contexts, or in qualitative research the issue stretches to if they even can be applied to the same context that have been studied (Bryman, 2011, p. 398). As other researchers’, we also recognize the issue of this criterion in qualitative research. To transfer our findings to auditors’ in Sweden or even to auditors’ at the offices we have visited is not something we have strived for and therefore also not see as possible. However, we hope that our findings can provide for indications of how the work with APs and what factors cause this practice looks like in reality in the Big 4 firms. Throughout the study we have tried to thoroughly explain how the work with APs in an audit firms looks like combined with explanations of the organizational environment using both literature and our empirical observations, which hopefully has increased this possibility.

9.1.3 Dependability
During the process of writing this study, a focus from the beginning was to keep track of different methods we have used in order to provide for dependability. Bryman (2011, p. 398) states that dependability concerns exactly that: the recording of the different stages in the process of performing a study such as sampling, interview recordings etc. From our interviews we have collected voice recordings and also transcribed this material. Except for this, we have also thoroughly explained our procedures for sampling, interviewing etc. in our practical method. These recordings are in our opinion sufficient for our study to be dependable.

9.1.4 Conformability
As we discussed in the theoretical method, we do not consider influences of our own experiences in the study to be a disadvantage, but rather an advantage since it has helped us in our analysis and conclusion. Conversely, we do think that our personal values (opinions, beliefs etc.) can inflict on the result of this study negatively. Conformability concerns this issue and suggests that researchers should make it clear to the reader that measures has been taken in order to prevent the influence such personal values (Bryman, 2011, p. 398). We have, as explained in the theoretical method and practical method, always had the existence of personal values in mind and frequently tried to minimize the influence of these on our results. Further, we have also through our empirical observations made it transparent for the reader what the interviewees actually said, which can be compared to our conclusions.
9.2 Authenticity

The second criteria that we have chosen to focus on, authenticity, concern the relation between the members of society and our study, i.e. what impact our study may have on society from the viewpoints of fairness, ontological authenticity and educational authenticity (Bryman, 2011, p. 398).

First off, there have been seven participant in our study who together represent three different audit firms. Therefore, from a viewpoint of fairness, we consider the findings to be fair since the viewpoints they have shared during their interviews are both different and collected in the correct social setting. Presenting such diversity in viewpoints, as we consider the interviews have done, also provides other auditors with an insight in the views of our participants. Hence, it gives them a better understanding of others in their social setting.
Reference List


Appendices

Appendix 1

Interview guide

Introductory questions

- How long have you worked here?
  - What is your title?
- Tell us a bit about your firm. What characterizes this workplace?
  - Is there anything that characterizes a worker from this firm?
  - What do you consider have contributed to this picture?
- How would you describe working here?
- Could you tell us about the interpersonal relationships between employees at the firm?
- Initially, why did you start working for this firm?
- Tell us about the firm’s focus in knowledge development for the employees?
  - What is your view on this? Why?

Analytical procedures

- What is your experiences regarding APs?
- Do you have experiences from RS?
  - What do you consider are the major differences in ISA 520?
  - How have this affected your work?
- What is your general thought about APs?
  - Do you think it is an effective method? Why?
- What is the goal of APs?
  - Does it differ in the different phases of an audit?
- How do you know what to do when performing APs?
  - How did you learn this?
  - When things change regarding guidelines/routines, how do you learn this?
    - What is your view on this?
- Tell us about the workload that comes with APs.
  - Are there occasions when the time is not enough?
  - How do you handle these situations?
  - How do this reflect on your work?
- Tell us about the methods you regard as useful when it comes to APs.
  - What methods do you regard as most efficient? Why?
  - Is it different in the different phases, are the methods used in different extent?
- Tell us how you determine expected values when working with APs.
  - Why do you do this?
  - Who do you go to when you need information? Why?
- If you find unexpected differences compared to your own expectations, how do you proceed?
- Do you find one or more explanations?
- How do you search for answer to these differences?
- How do you go to? Why?
- How do you determine if a explanation is acceptable? Why?

- How do you view the results from APs? Can evidence from APs be enough without complementing with test of details? Elaborate please. Why?

**Final questions**

- What motivates you in staying at this workplace?
- Can you tell us about your career ambitions?
- Do you have anything else do add?
Appendix 2

Invitation letter (in Swedish)

Hej!

Vi är två studenter som studerar Internationella Civilekonomprogrammet på Handelshögskolan i Umeå med inriktning mot redovisning/revision. Vi håller för tillfället på att skriva vårt examensarbete som handlar om revisorns arbete med analytisk granskning. Syftet med studien är att ta reda på hur analytisk granskning ser ut i praktiken samt vilka underliggande faktorer som kan påverka revisorns handlande. Studiens problemformulering är definierat enligt följande; "Hur utförs analytisk granskning i praktiken och vilka faktorer påverkar detta utförande?". För att genomföra studien ämnar vi att utföra intervjuer med revisorer, tanken är att intervjua revisorer från "Big-4" byråer.

I och med detta så vänder vi oss till er på X med en förfrågan om att delta i studien. Om detta skulle vara aktuellt så är vårt mål att utföra 3 till 4 enskilda intervjuer på er byrå, vi strävar efter att hålla intervjuerna relativt korta vilket skulle innebära maximalt 45 minuter. Vi ser helst att personerna vi intervjuar har jobbat med revision i minst 3 år och har erfarenhet av analytisk granskning. Resultaten av intervjuerna kommer att vara anonyma, vilket företag revisorn jobbar på kommer inte att nämnas i studien.

Intervjuerna är tänkta att genomföras under vecka 14, men vi är flexibla om det för er skulle passa bättre med ett annat datum. Hoppas att detta låter intressant för er och att ni önskar att delta. Hör gärna av er om ni har några frågor!

Med vänliga hälsningar/ Erik Unander-Scharin & Nichlas Essner

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