



Fear and risk in the audit process



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A B S T R A C T

Relying on an ethnographic study conducted in the French branch of a big audit firm and using a psychodynamic perspective to interpret the collected data, we show that auditors' sense of comfort (Pentland, 1993) arises only at the end of the audit process, and that the rest of the time, public accountants are inhabited primarily by fear. Fear plays a crucial but ambivalent role in auditing. On one hand, auditors and audit firms cultivate this feeling through informal and formal techniques to stimulate vigilance, encourage self-surpassment, mitigate the anesthetizing effect of habit and maintain reputation. On the other hand, audit teams' members strive to alleviate their fear in order to form and convey their conclusions with a certain degree of comfort. In the field, driven by fear, they manage to finally become comfortable either by mobilizing their 'practical intelligence' (an intelligence of the body which helps them handle that which, in their mission, cannot be obtained through the strict execution of standardized procedures) or by adopting defensive strategies (such as distancing themselves from work-related problems, mechanically applying audit methodologies or relaxing their conception of a job well done). Fear and risk are closely related phenomena. Michael Power (2007a, p. 180) notes that 'the significant driver of the managerialization of risk management is an institutional fear and anxiety'. Yet the experience of fear and the role that fear plays in risk management processes is most often overlooked in the literature. In this respect, our study contributes to 'emotionalize' and challenge the cognitive and technical orientation adopted by most academics and regulators in their understanding of audit risks and auditors' scepticism. We also discuss a number of avenues for future research with a view to encouraging further examination of the role that emotions play in the audit process.

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Introduction

Comfort [...] is what you feel at the end of an audit, when you're just about certain that you've done your job properly. But you spend the rest of the time feeling anxious. [...]. As an auditor, if you have even a modicum

of professional conscientiousness, you just can't avoid caring about your job. In some ways, that's what we're paid to do. Our lives aren't at risk, that's true, but if I may draw on my taste in movies, I'd say auditing is to some extent the wages of fear.¹ (One senior interviewed during the study)

As argued by Maitlis and Ozelik (2004, p. 375), 'we now widely accept organizations as "emotional arenas" (Fineman, 1993, p. 9) and acknowledge the emotionally

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¹ A film by Henri-Georges Clouzot.

saturated nature of people's work experience (Ashforth & Humphrey, 1995). Barsade and Gibson (2007, p. 36) note that '[i]n the last 30 years, an "affective revolution" has taken place, in which academics and managers alike have begun to appreciate how an organizational lens that integrates employee affect provides a perspective missing from earlier views'.

In the field of auditing, this 'revolution' has yet to occur. One of the most widespread accounting stereotypes still depicts the auditor as an actor who is almost entirely devoid of feeling (see e.g., Beard, 1994; Bougen, 1994; Dimnik & Felton, 2006). This image is reinforced by the 'emotional labor' (Hochschild, 1983) in which most auditors are asked to engage in order to project and maintain an aura of professionalism at work: 'because accounting work is interpersonal, the adoption of an unemotional attitude is actually part of the work and of course "unemotional" is a misnomer for a particular emotional orientation, that of a professional-seeming coolness consistent with technocracy' (Gill, 2009, p. 34). On the evidence of professional audit standards, audit work only appears to involve emotionless methods of algorithmic reasoning (Francis, 1994). And academic papers devoted to investigating the emotional dimension of public accounting remain extremely rare (McPhail, 2004; Nelson & Tan, 2005), with the exception of those examining the causes and/or consequences of auditors' (role) stress (Smith, Derrick, & Koval, 2010).

For example, in the prolific audit judgment and decision-making (JDM) literature, only four studies (based on laboratory experiments) have, to our knowledge, examined the impact of affective states on the formation of audit opinions. Bhattacharjee and Moreno (2002) established that when provided with irrelevant, negative affective information, inexperienced public accountants tend to overestimate the risk of inventory obsolescence, while experienced professionals do not. Schafer (2003) reached a similar conclusion in respect of the fraud risk assessment. Chung, Cohen, and Monroe (2008) demonstrated that positive-mood auditors have the lowest consensus and make the least conservative judgments when required to evaluate inventories. Finally, Cianci and Bierstaker (2009) indicated that public accountants in a negative mood often make poor ethical decisions.

Importantly, the above-mentioned studies are not only few in number: like most of the papers that have addressed the issue of stress in auditing, they also tend to present affective states as being mainly disruptive.² The assumption is that feelings are the antithesis of rationality. However, this assumption has been strongly challenged for at least two decades. As shown by many researches, affect and reason – far from being antinomic – are in fact interrelated (e.g., Damasio, 1994; Putman & Mumby, 1993). Whether we like it or not, emotions inform all our choices, actions and interactions, for better or for worse, and are

themselves profoundly influenced by our working environment (Domagalski, 1999; Fineman, 1996). From this perspective, emotions need to be thought of as a vital and permanent aspect of the workplace – an aspect that shapes, and is shaped by, organizational processes, through various means requiring further examination.

In this area, audit research has made scant progress. Although the survey by Garcia and Herrbach (2010) found that the audit environment produces a wide range of pleasant and unpleasant feelings among auditors, the way in which these feelings mold, and are molded by, the audit process remains under-researched. Since Humphrey and Moizer (1990), who were the first to emphasize the importance of 'gut feel' in auditor decision-making, only a small number of studies have increased our understanding of the subject: Pentland (1993) showed that public accountants cannot form an audit opinion without 'getting comfortable' and that acting ritualistically enables them to reach this affective state; Carrington and Catasús (2007) added that the production of comfort in audit teams requires 'acts of creativity' to remove a sufficient 'amount' of discomfort; some studies have drawn on these analyses to better understand the functioning of audit committees (Gendron & Bédard, 2006; Sarens, De Beelde, & Everaert, 2009; Spira, 2002); but beyond this, very little research has been conducted to enhance our awareness of the affective dimension of the audit process.

Yet comfort constitutes only a small part of the emotional experience of public accountants. This became particularly apparent to us in the course of an ethnographic study conducted in the French branch of a big audit firm, aimed at better understanding the work performed by auditors in the field. We found Pentland's (1993) paper truly stimulating and sometimes observed auditors talking about comfort and looking relieved, but in the audit teams we monitored, signs of comfort nevertheless remained relatively rare. Instead, it was not uncommon for us to see our informants frowning, turning a bit pale or red, biting their nails, shaking their legs, getting irritable, looking drawn, sweating, taking pills against stomach ache, holding their breath, double checking one thing or the other, and so forth. Altogether, these behaviors were in our eyes more suggestive of concern than comfort, and our semi-structured interviews confirmed this interpretation.

As stated by the senior quoted in the epigraph, in real audit settings, comfort only arises at the very end of the audit task. 'The rest of the time', auditors seek to feel comfortable, but are generally inhabited primarily by fear. Of course, fear is not experienced by them all day long and varies in intensity from individual to individual and depending on the circumstances. It may simply take the form of a slight disquiet or degenerate into an oppressive anxiety. However, in general, public accountants have to deal with this emotion. The present paper aims to provide a better understanding of the role of fear in audit practice, focusing specifically on the following questions: (1) *What exactly is it that auditors worry about?* (2) *How do auditors manage fear in the field?* (3) *How does fear shape, and how is it shaped by, auditors' work activity?*

To interpret our empirical data and present our results, we mainly used the *psychodynamics of work* theory

² Admittedly, a few articles examining the outcomes of auditor stress have underlined the positive effects that a moderate level of stress can have in auditing (see e.g., Choo, 1986; Fogarty, Singh, Rhoads, & Moore, 2000). However, the fact remains that there tends to be far more emphasis in the audit literature on the negative consequences of stress.

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