Afterword: Audit Society 2.0?

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Abstract

Purpose - To briefly reflect on the continuing relevance of the arguments of the "Audit Society" thesis after 25 years and to consider whether they need to be adapted in the face of advances in digitization

Design/Methodology/Approach - This essay develops a series of critical reflections on the main arguments in "The Audit Society" (Oxford University Press, 1997).

Findings - There is a need for critical accounting and management research to explore how audit society themes require adjustment in the face of "surveillance capitalism", and how the boundaries between accounting, security and surveillance are becoming blurred.

Originality/Value - This essay is a personal and self-critical account of the genesis of the audit society thesis which looks forward to how this thesis can develop. It also offers a defence of the value of books in enabling the travel of ideas across fields.

Keywords - Audit society; Audit Trail; Digitization; Surveillance Capitalism

Paper type - Viewpoint

Let me begin this afterword by saying how honoured I am that *Qualitative Research in Accounting and Management* is publishing this special issue on the 25th anniversary of *The Audit Society.* I am very grateful to the editors, Thomas Ahrens and Lukas Goretzki, and to the authors for their varied contributions, all of which stand in their own right. They carefully and critically reflect on my work as a point of departure for their own exciting new avenues for research.

Twenty five years is a long time in an academic career. I have been working on the issues raised in *The Audit Society* in one way or another throughout that period since 1997. One specific avenue of development has been towards risk management. On completion of the book, it became apparent that the so-called "audit explosion" did not simply point to a growth in practices of external evaluation. Rather, the 1980s and 1990s were also characterised by a dramatic increase in the organizational and regulatory significance of internal controls and self-auditing across many fields and sectors. These developments provided an intellectual and organizational platform for internal control to be reconceptualised as a form of risk management, and as the foundation of corporate governance in general. The 1992 COSO framework on internal control symptomized and accelerated this shift in audit culture toward risk management and eventually to a concept of Enterprise Risk Management (ERM) in which internal control was anchored.

I still regard this "turning inside out" and "riskification" of organizations to be an extraordinary institutional achievement and an ongoing feature of the last 25 years in many jurisdictions. It was driven by the demands of a neoliberal regulatory state and a seemingly endless supply of advisory expertise. As organizations made themselves into auditable entities, they internalised and expanded what Huising and Silbey (2021) refer to as "accountability infrastructures", namely an assembly of highly rationalised practices for risk management and regulatory compliance, including accounting. Thus, *The Audit Society* is implicitly a thesis about risk and regulation and is open-ended and fluid in the sense of suggesting pathways for further development. Indeed, it took many years to refine the

notion of a "logic of auditability" into a theory of the audit trail as the micro-level mechanism by which audit society tendencies are amplified and reinforced (Power, 2021).

In this brief afterword, I offer a few further reflections. First, the genesis of the book project lay in my dual interest in both financial auditing and the sociology of science in the late 1980s and early 1990s. If, as it seemed to many people, the practice of financial auditing was at best an imperfect craft held together by human judgement, how did it nevertheless construct itself as a legitimate, highly rationalised body of expert knowledge, expressed by multiple protocols and standards? These are questions that sociologists were asking about science itself – seeking to open the so-called "black box" of science to reveal its underlying processes of formation and practice stabilisation. I drew on this work in several auditing papers and it was this trajectory of interest that gave the 1997 book such a strong financial auditing flavour, despite the material on value for money audits and evaluation. In short, I framed auditing as a problem of knowledge or, more precisely, as a problem of how a practical system of professional knowledge is created and maintained. An early study of statistical sampling reflected this general orientation. I argued that sampling, at least for a short time in the 1970s, enabled auditing to appear more scientific than its practice ever was.

I must confess that this epistemic focus on auditing as a distinctive kind of organizational knowledge production also reflects the fact that I have never been very interested in the problem of auditor independence, either normatively or analytically. For that reason I have not participated in the wave of moral panic about the audit process in the UK, beginning with the collapse of Carillion plc in 2018. It always seemed to me that the prior issue for academics and regulators was to understand how auditing works as a web of *dependencies*, and to consider the implications of this for our expectations of it.

Second, while the term "audit society" has become accepted shorthand, there is always a danger that it will be misunderstood as referring to something clear, distinct and epochal in nature. In my own mind this motif refers not to a thing – a "society" as a whole - but to what we might call

societal and organizational dispositions, namely dispositions to quantify performance – often in highly reductive ways – and to shape organizations to be receptive to, and aligned with, auditing and evaluation processes. Indeed, a more accurate title for the book would have been "The auditable society", not least because the theme of "making things auditable" is its theoretical core. Furthermore, it is clear that organizational and individual responses to auditing and evaluation requirements are far more varied than my simplistic duality of "decoupling" and "colonization." Twenty five years of scholarship in accounting, regulation and organization studies have demonstrated this. Yet, notwithstanding the quality of these studies and their empirical and conceptual precision, it may also be that *The Audit Society* was productive for different fields of enquiry because of, rather than despite, its theoretical simplifications.

Third, I am conscious that the book has been cited beyond the field of accounting and auditing research. It has become a reference point not only in public management but also in anthropology, science studies and sociology to name a few. The lesson here is that books can travel in a way that journal articles increasingly cannot. Indeed, academic accounting culture – as Yves Gendron notes so powerfully in his contribution to this volume - is becoming increasingly narrow in its journal orientation; books have become almost harmful to careers. However, the journey of a book is also risky and dependent on many contingent conditions, especially luck, in being able to capture something of interest "in the making". *The Audit Society* travelled and had impact not because of the internal quality of its arguments but because of its resonance with emerging conditions, a *Zeitgeist* perhaps. So many professionals in different countries and different fields, including academics, were becoming aware that they were subject to new performance and auditing regimes, and to new forms of "explicitization" of their practice and knowledge. While the book falls short of fully explaining these developments, it had some success because it pointed to, and named, this phenomenon. Its articulation in terms of a fuzzy label would have failed the first round of a journal process focused on internal coherence. Yet this label became a motif which was able to connect individual experiences to something systemic, namely a family of emerging practices, which might

otherwise be understood in isolation and in merely technical and specialist terms, thus understating their power and significance. The influence of Michel Foucault's work behind the scenes of this project should be clear.

However, while "audit society" may have been a useful label for a collection of tendencies or dispositions– the expanded quantification of performance and the colonization of organizations by audit and evaluation requirements – twenty five years later there is a critical question mark about its continuing usefulness in the face of advances in information technology or "digitization" as it is commonly called. This is a complex question because these advances have been taking shape over many years in many different ways. At its most basic, such digital automation has created enormous and well-documented operating and accounting efficiencies by eliminating cumbersome paper-based processes. Yet, developments have also been transformative, although it different ways. On the one hand, as Carter and Jeacle in this volume note, platforms like Tripadvisor and social media more generally have revolutionised and multiplied channels of organizational evaluation, almost to the extent of putting auditing capability in the hands of everyone. On the other hand, this democratic dream is also fragile. In the new world of what Zuboff (2019) has called "surveillance capitalism", consumers and the public are very far from being digitally empowered to hold organizations to account. Rather, each of their online traces is a source of valuable data or "digital exhaust", which is captured for both economic gain and enhanced social control.

Are these and many other evolving areas of new technology – such as big data, artificial intelligence (AI) and blockchain – simply the digital radicalization and supercharging of audit society tendencies or is something quite different, complex and contradictory taking shape, requiring us to rethink theories of auditability developed for a predominantly analogue world of books and records? Are data analytics becoming an important supplement to accounting and an accelerator of the audit society processes – Audit Society 2.0 perhaps? Or are auditing and accounting as we have known them over the last three decades being superseded and relegated to a specific period in history that

we might call the neoliberal age? Indeed, are we undergoing a radical epistemic shift in the way we know persons, organizations and economies?

A brief Afterword like this does not permit an extensive and detailed treatment of these big questions but a few brief points can be made. Scholars have begun to explore how algorithms are driving the emergence of new social categories, identities and communities in bottom-up, data-driven processes of institutionalization. This implies that audit trails and the logic of auditability which they encode are no longer organized in stable transactional categories but have become non-standard and idiosyncractic. Traceability is taking many forms, feeding off data sources beyond traditional organizational boundaries, and fundamentally challenging the entity assumption of accounting.   And as advances in AI and machine learning are introduced into the practice of auditing, the structure-judgement debate of the 1980s is being played out in a new way. For example, auditing is being reimagined as a series of smart contracts which can be plugged into digital platforms (e.g., Dai & Vasarhelyi, 2017), with implications for the future of expertise. Professional accountancy associations know that they face an existential threat, and it seems likely that the ability to audit code will become a significant skill-set in the future.

This new digital social and organizational order continues to evolve and is not yet as monolithic or internally consistent as many commentators suggest. Yet it is also striking to note how digitization is opening up new capacities to define, track and measure performance. All manner of actions, both personal and organizational, can now be traced and aggregated into new accounts. The frontier of performance measurement, and therefore of what counts as performance, is rapidly changing. An explosion of data-driven metrics, visualisations and dashboards is taking place – developments in the gig economy being just one setting in which this is happening – bringing with it a shift in the nature and intensity of organizational control and forms of evaluation. Many accounting scholars have begun to address these new forms of performance representation enabled by digitization. If this is Audit Society 2.0, it is one in which hitherto invisible dimensions of human action can be

reconceptualised as performance, and in which monitoring and evaluation is becoming widely dispersed, rapid, automated, and boundary spanning.

To give an example close to the interests of academics, it is now possible to collect detailed information about the journal review process, both for individual reviewers and in aggregate for the journals in question. Thus, an area of academic life, namely peer review, which has been essential but not especially visible or transparent, is now becoming explicit, visible and highly elaborated via multiple metrics. This new technology-enabled accounting for academic reviewing is collecting new kinds of traces and is transforming peer review into an explicit performance. On the one hand, it seems positive that such essential activity and effort can now be visible and valued. On the other hand, do we know where this collection of granular data will lead? Is this a further step in the deskilling of core aspects of academic life (Gendron, Andrew & Cooper, 2021)? In the face of these and many similar developments across many fields, *The Audit Society* appears rather limited in its imagination about the kinds of things that can become objects of accounting. The frontier of granular quantification may be limitless as more and more activities are reconstituted as accountable performance and grounded in all manner of digital traces (Kucklick, 2014; Power, In Press). Scholars are already beginning to explore these and other issues, and it is becoming clear that the boundaries between accounting, control, surveillance and security are no longer distinct. Accordingly, critical accounting and management research is needed more than ever not least because, as Zuboff reminds us, democracy is also at stake.

In conclusion, I would like to thank the editors and contributors again for engaging so thoroughly and carefully with *The Audit Society* on the 25th anniversary of its publication. When I started to write the book in early 1996, I did not know how it would turn out. There was a plan but it changed several times as some things became clearer and others faded in significance. For this reason, I have always disliked the notion of "writing-up", as if this was simply a process of putting pre-existing ideas and materials into a document. In my experience, writing is also a process of discovery in itself, of

exploring patterns and sequences of arguments, and of playing with new concepts and propositions until they might qualify as theories.   So, to the readers of QRAM I close by emphasising that *The Audit Society* was written and rewritten many times. As hard as this process was, I strongly believe that an intense preoccupation with writing is the lifeblood of qualitative research.

Acknowledgements

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