Behind open doors: Auditor’s face-work at the annual general meeting

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Abstract

This study reports from participation in sixty-seven annual general meetings (AGMs) in Sweden. An AGM under Swedish legislation is of interest because it offers a setting where auditors communicate face-to-face with the shareholders. To theorize the auditor’s action in this particular setting, we draw on Goffman’s work of ritual performance and face-work. The AGM is often characterized as a ritual where important decision are taken beforehand and the auditors contribution to it is limited in terms of what s/he communicates about the audit process. However, because of the AGM’s invariant form and substance, any disruption creates an unrest that the auditors try to overcome by carrying out face-work. This face-work makes it possible to understand the AGM as a social encounter in which the auditor tries to return to an equilibrium rather than being an important actor in a forum for accountability in which agency relationships are tested.

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Introduction

This study focuses on auditors at annual general meetings (hereafter AGM). While AGMs and auditors contribution to them are centered in regulatory and policy texts there is a dearth of research about auditors at AGMs. Recently the Committee of European Securities Regulators (2007) set out to investigate the role of the auditor in the governance process in an effort to “restore trust in the quality of audits” and the conclusion form their survey was that “[in all [24] responding countries the auditor is allowed or required to communicate with shareholders in the Annual General Meeting.” Earlier to that report, the OECD’s (2004) report on corporate governance highlighted the auditor’s contribution to effective governance. One suggestion was that “shareholders should also be able to ask questions relating to the external audit report… [at the Annual General Meeting]” (ibid., p. 35). In fact, the issue of auditor communication at the AGM has been discussed in both the EU’s green paper (2010) and in IOSCO’s Consultation Report on Auditor Communication (2009). Together, the reports question the ways the auditor communicates to the shareholders at the AGM and what auditors do when they act out their part of an agency-principal relation (e.g., Watts & Zimmerman, 1983).

From an agency perspective the AGM is a situation where the auditor has the possibility to report issues of concern to shareholders. In turn, such position derives from an idea of an inherent tension between ownership and control in which the auditor works to provide “with an attestation of the reliability of certain information supplied by those entrusted with the property of others” (Mautz & Sharaf, 1961, p. 243). Albeit relevant for audit investigations, agency theory does not tell the whole story about auditor’s works (Power, 2003) or their contribution to governance mechanisms. Not the least, as shown by the review article by Cooper and Robson (2006), because what is perceived as the value created by auditors is depended on a general acceptance of accounting practices and auditors, not necessarily connected to an intrinsic notion of audit quality.

While prior studies of auditors at audit firms have detailed how the site of the firm socializes and disciplines employees into being a professional auditor (Pentland,
other research efforts have focused on sites in which the relationship between auditors, managers or audit committees are at stake (Spira, 1999; Beattie, Fearnley et al. 2001; Gibbins, Salterio et al., 2001; Gendron, 2001; Beasley, Carcello, Hermanson & Neal, 2009). What emerges from these studies is that being a professional auditor equates managing the multiple commitments to regulatory and professional demands, the organization’s profitability demands, as well as demands from the own team, clients and shareholders. Nevertheless, studies that analyze sites where auditors, company and shareholders are present and where the auditor may communicate to both owners and management are overlooked. Instead the typical presence of auditors to users are “often not a human being but an audit firm, mentioned in the news or a commercial or at the bottom of the auditor’s report.”(Carrington, 2010, p., 680). In this way a study of auditors at AGMs may add details on how managing one relation between the auditor and the management may impact the relation between the shareholders and the management. What we would expect, from the professionalization literature, is that the auditor will draw on various aspects of being a professional such as norms of the profession or technical expertise to present him/herself as a professional for the audience. Notwithstanding, we argue that the presence of the audience of the AGM also impact how the auditor performs at that site. Thus, the reactions of these others need to be examined to further our understanding of how auditors perform in this triangle drama.

In Sweden, the AGM is a site where auditors are obliged to communicate their opinion about the financial accounts to the present shareholders and that offers us an opportunity to contribute to how auditors communicate audit work to shareholders. This paper builds on non-participant observations of auditors in 67 Swedish AGMs and we address the following research question: how can we understand the auditor’s action at the AGM?

We foresee two contributions. Firstly, our focus of the auditor at the AGM complements studies of professionalization and identity work of auditors by detailing
how auditors act at a site with both shareholders and management present. Adding to earlier research, our analysis shows that the auditors, when acting in the space between the institutional pressures of both secrecy and transparency, downplay the presence of auditor-client negotiations. In general we record an essentially neutral and reporting contribution from the auditor, which also seem to be what the shareholders expected from them. The argument we develop is that the invariant form of the AGM requires that contributions from actors involved in the ritual is in line with expectations of other participants of the ritual. Paradoxically, in that invariant form there is an opportunity for shareholders to both learn about auditor and audit work as well as challenge management. Although economic power influences the agenda of the meeting, the AGM is also a face to face setting. Consequently, we record disruptions from shareholders not economically privileged to influence the corporate agenda thereby offering opportunities for a “civic dialogue” (Power, 1991, p. 21) between auditors, managers and shareholders. The second contribution is methodological. One possible way to understand Power’s (2003, p. 380) conclusion that “there is very little of what is now called ‘field work’ in auditing” is that auditing is primarily studied out of context and that we know too little about what auditors do in specific contexts (cf. Gendron, 2001). Certainly, the calls to carry out studies “behind closed doors” (Beattie, Fearnley et al. 2001) have practical limitations because of the mundane work of every-day auditing activities and the issue of professional secrecy. Yet the AGM provides an opportunity to study what auditors do when acting in a public place in front of a selected few, i.e. when presenting their findings behind open doors.

The structure of the paper is as follows: first we review previous literature and then we develop in which ways we make use of Goffman’s ideas of social interaction. In particular we discuss the ideas of ritual performance and face-work. Before presenting our empirical corpus we present the design of our study and how we observed and analyzed what auditors do at the AGM. In the final section we round up the paper with our contribution as well as presenting the limitations to our study.
Prior literature and the AGM as the context of the auditor

In the present case the context of auditors is the AGM. In relation to the importance of the AGM as a governance mechanism research of it is limited (e.g., Bushman & Smith, 2001). Studies of the meeting has conceptualized it as one potential source of price sensitive information in a market for information (ibid.) yet studies of participants’ conduct and practices are fewer (cf. Apostolides, 2007; Catasús & Johed, 2007). While governance research, with or without a focus on auditors, is dominated by agency theory there is a bourgeoning literature on governance mechanisms, such as for example company investor meetings. Unlike agency conceptions, Roberts et al. (2006; 2012) understands investor meetings as part of a field of visibility of appropriate conduct. Their focus on conduct and practice does not necessarily rule out investor meetings as an agency relationship but their argument is that agency theory is not foremost descriptive of the participants’ action at them. By placing conduct and practice of these meetings at the forefront the authors suggest that there is more at stake for the participants of those meetings than retrieving information relevant to stock market (e.g., Roberts et al., 2006; 2012). Instead company investor interaction is one aspect, and instance, within the broader discourse of shareholder wealth maximization. The authors demonstrate how top management are disciplined by the investor managers they meet with and how the managers came to formulate their work as that of creating shareholder wealth. The study by Roberts et al (ibid.) is a study of what happens “behind closed doors” and one of their findings is that important decisions are taken before the AGM and, consequently, without the participation of the majority of shareholders.

An argument along the lines of important decisions being taken before the AGM has been made in the auditor–client management negotiation literature. By an explicit focus on both auditors and company representatives McCracken and colleagues (2008) found that auditors and company representatives as a general rule “work together to resolve the issues and even when the discussions become heated, the auditor is often able to maintain a cordial relationship with the client” (McCracken et al 2008, p. 363). Not
only is this a collaboration of how to assemble the financial report between auditor and client but the authors also report that the audit firm seek to match auditor type with appropriate client types as to nurture future collaboration. Taken together then, it is unsurprising that several writers have pointed out at the AGM resembles a ritual without a proper control function of the company (cf. Strätling, 2003; Hodges, Macniven et.al, 2004; Nilsson & Hassel, 2004; Apostolides, 2007).

Understood as a ritual what is the auditor’s contribution to it? The studies of professionalization of auditors may inform us of what auditors perceive as being expected of them in specific social encounters. Professionalization relates to the way by which auditors develop appropriate work identities for social interactions. Accounts from the backside of audit firms have demonstrated that to become an auditor one has to relate to several aspects of “right” behavior in an audit firm. For instance, in his study Grey (1994) noted that early entrants are expected to dress in a uniform way. Furthermore, an auditor is expected to act in a particular way and Covaleski et al (1998) show that in their study the audit firm had an explicit “Professional Appearance Action Plan” in which one could be informed that it was inappropriate to use “rubber watches,” ‘short socks/hairy legs,’ ‘white pantyhose,’ and the ‘miniature male look’” (ibid, p. 311). Thus, an auditor needs to adjust to what is suitable or just (Goffman 1867/2005) not only in terms of a professional ethos and technical knowledge, but also in terms of appearance. At the AGM, the auditors do not merely meet with the management and the board, but also with the shareholders. The issue of public expectations of the auditor is also important if we want to understand how auditors act on the AGM. In a literature review of stereotypes, Carnegie and Napier (2010) show that two auditor stereotypes seems to exist simultaneously. The “traditional accountant” is characterized as a dull person who is preoccupied by precision and form, whereas the “business professional” is more of a partner in the business endeavor (ibid.). Although primarily negative, the bean counter image “is associated with honesty and respectability; a lack of trustworthiness is not a character pitfall of the traditional accountant stereotype” (ibid, p. 365). Accordingly, the way the auditors take part in social interactions can be made intelligible by investigation
and analyzing the multiple commitments to the profession, the firm, the client and the shareholders. These relations need to be actively managed (cf. Cooper & Robson, 2006; Anderson-Gough et al. 2001; Carnegie & Napier, 2010; Kornberger et al., 2011) but also balanced as client commitment may substitute independence (Anderson-Gough et al., 2000; Suddaby, Gendron & Lam, 2009).

In part the above literature provide important input to the current case in that it has documented that a signed audit report is collaborative effort between the company and the auditor. What also stands out from the professionalization literature is that how sensitive an auditor needs to be as to become a successful one. Arguably, the auditors we study are successful because they have navigated through their respectively audit firms hierarchies and now are signing auditors of public companies. In this way, they are senior auditors reasonably sensitive to both client commitments as well managing their public appearances. In many respects we corroborate points made in the previous literature: the auditor is careful with how they dress, they appeal to the rigor of their routines and downplay negotiation with clients and they attend to the shareholders in what seems to be fitting with public expectations. Still, we record instances where auditors seek to inform shareholders about the audit beyond that of simply reiterating the audit report as well as instances where their professional training of balancing multiple commitments does not suffices to handle a tense situation. These instances we attribute to the setting of the AGM, a context that because of its face-to-face nature gives tension to the auditor’s action.

**Ritual performance and face-work**

We have drawn from the theoretical resources presented by Goffman in his micro-sociology relating to the social encounter. Goffman’s research interest was always in micro-sociology in which social settings consist of knowledgeable actors (Manning 1992). Although he made a point of studying individual’s action he did not underplay the
role of the norms that guide actions (ibid.). For this study we draw on two main concepts: ritual performance and face-work.

**Ritual performance**

Manning’s (1992) analysis of Goffman’s early texts suggests that Goffman’s interest is in “the area of social life that remains unaccounted for by game theory … that of ritual” (ibid, p. 34). That argument is germane because a ritual, such as the AGM, is not foremost about winning others to one’s side nor is it an agency conflict with diverging self-interests. Rather, a ritual is a purposive behavior that is oriented towards a known and widely accepted outcome. A ritual performance depends upon rules of conduct that define the guide for action “not because it is pleasant, cheap, or effective, but because it is suitable or just” (Goffman 1967/2005, p. 48). A ritual is a rule governed activity characterized by a structured interaction. Smith and Stewart (2010) suggest that the structured interaction of a ritual is physically enacted in a specified sequence, with little variation, and is imbued with significance through, for example, formalized language particular to the situation. Consequently, the AGM may be understood as a ritual because it is demarcated in time and place and is guided by both explicit demands (i.e. the law) and implicit demands (i.e. the norms) to structure the interaction and to draw the participants’ attention to a common concern. In this study we draw on Biehl-Missal’s (2010) elaboration of ritual performance that emphasizes two aspects of ritual performance relevant to the analysis of the auditor’s actions at the AGM: scenography and the others.

The first analytical aspect of the scenography of ritual performance is the spatial arrangement and the ambiance of that setting. Spatial arrangement affects the relationship between the participants of the AGM (Biehl-Missal 2010). Although the ambiance is a perception, Biehl-Missal (2010) shows that the setting itself (e.g. the number in the audience, the technical platform, colors, clothing and the geographical position of the venue itself) affects the ambiance of the meeting. In Goffman’s term such spatial
arrangements tells the participants what type of drama there is that will be performed. The second analytical aspect of a ritual performance is the notion of “the others” (in our case everyone at the AGM except the auditor). For Goffman (1959, p. 20), the roles of the other actors are crucial if we want to understand the social interaction because:

“…the others, however passive their role may seem to be, will themselves effectively project a definition of the situation by virtue of their response to the individual and by virtue of any lines of action they initiate to him.”

On the one hand, the actors coordinate their activity in accordance with spatial arrangements for the sake of staging a ritual for the audience. On the other hand, social interaction relates to the situational variability, because different audiences (in e.g. size or how they are seated) may demand alternative efforts. The staging of the AGM, then, must accord to the number of people taking part of the social interaction. It may, therefore, be necessary to adjust one's self-presentation when interacting with different audiences. The ritualistic performance configures the stage and the sequence in which obligations (the physical setting, the ambiance and the regulation) and expectations (the actors and their performance) are promoted. The interpretation made by Biehl-Missal (2010) suggests that looking at the setting as well as those who attend the meeting is relevant because it influences the auditor’s face-work at the AGM.

**Face-work**

Goffman’s (1955) notion of face-work relates to the “positive social value a person effectively claims for himself by the line others assume he has taken during a particular contact.” The implication is twofold. The first implication is that the others’ expectation about an actor needs to be on par with that actor’s role (and vice versa) supporting inertia and predictability to performances. Second, underlying such inertia there is a known script that governs each actor’s role, in our case the script that guides face-work is the audit report. Using Goffman’s notion of face-work means that the AGM
as any social encounter is characterized by the fact that the actors in the meeting already stand “in some kind of social relationship to the others concerned and expects to stand in a given relationship to them after the particular encounter ends” (Goffman 1967/2005, p. 47), meaning that face-work is motivated by the desire to be well-regarded by both the others and oneself. That is, at the end of the meeting the objectives should have been reached. In light of the dramaturgical element of the AGM, we will emphasize two aspects of such face-work.

First, the actor has to establish and maintain face. That is by being presented and introduced to the others the auditor enters into the ritual. The presentation itself offers an input to others in such a way that it should meet the expectations of the others. That is, by being called to the scene and in relation to the audiences is by itself a part of establishing face. The auditor has to take into account not only the images of the self and others but also relate to the expectations and obligations to demands of norms, rules, regulations, traditions, laws, etc. Maintaining face is then an act that the auditor does to sustain what may in a particular setting be regarded as normal social interaction (Goffman 1967/2005). Face-work that is directed towards a new equilibrium does not, beforehand, suggest that there is a mutual and friendly understanding i.e. status quo. Rather, a face-work analysis does not see disharmony (e.g. conflicts) as a loss of face because conflicts may be the expectation and obligation of both self and the other (e.g. in a marriage counseling meeting). Hence, entering into a ritual should mean that position of the others is known.

The second aspect of face-work, relates to how the actor handles disrupting activities. After the auditor has established face there is a risk of others suggesting one alternative equilibrium. The auditor then needs to relate to this new situation with face-work activities that could involve mitigating offense, showing respect, asking for forgiveness or to pretend that the disruption did not occur (Goffman 1967/2005). Essentially, handling disruptions is about repairing the image of oneself as well as the image of the others.
Design of the study

The study aligns with the research tradition of studying accounting and auditing in action (Humphrey and Scapens 1996). We have gathered field material at two separate times in 2004 and 2008. In 2004, we relied on the companies to give us access to the AGM. The research team asked permission from the firms’ investor relation department and we were denied entrance to four AGMs. In two cases the reason was that ‘there was not enough space’ and in one case the reason was that the IR department thought that having researchers studying the AGM might ‘make the owners anxious’. One firm did not give any answer at all. As part of a longer research program in which we have studied different actors at the capital market, we went back in 2008 to research another thirty-two AGMs.

The auditor(s) were present in all but one AGM, namely in the pharmaceutical company AstraZeneca. The reason for this is that the firm has its headquarter in England and therefore Swedish regulations, codes and norms do not apply. Our sampling procedure can best be described as a convenience sample (Miller and Whicker 1999: 111ff). That is, we chose those firms that held their AGM in the period between March 2004 - June 2004 for the first study and March 2008 – June 2008 for the second study, and site visits were limited to companies that held their meeting in and close to Stockholm.

The sample included no firm that had a qualified audit report. This came as no surprise bearing in mind that it is only on rare occasions that listed firms in Sweden are in such situations. Before we went to the AGM, we watched the training video distributed by FAR (which is the professional organization for authorized public accountants) and discussed what we should expect. At the first site visit, seven researchers took part and followed a calibrated observation protocol in the tradition of Carlsson (1951) and Mintzberg (1973), practically meaning that the protocol was tested by (all seven researchers) attending and making notes at one AGM (subsequently the company was not used in the study). The group then compared observations and the calibration resulted in
some revisions of the way to collect data. Specifically, the protocol was adjusted to include only classifications relating to actors and time. For example, the original protocol included a classification scheme of historical and future oriented information and this classification was, after testing the protocol, found to not be fruitful.

The final protocol included straight-forward headings like: the number of minutes that each actor spoke, the main content of their speech, the questions posed by the shareholders as well as the answers given and, finally, listed anecdotes. In order to understand the ritual performance we also took detailed notes of characteristics of the spatial arrangements of the AGM because such particularities mark the specifics of that ritual. The protocols, consequently, included specific information about what the auditors do when faced with the obligation to speak to their owners in a situated social occasion. For our sample, the most frequently represented audit firms were (1) PWC 27 times, (2) E & Y 25 times, (3) KPMG 14 times, (4) Deloitte 12 times and (5) Osborne Johnson 1 time. The reason why the number of audit firms (79) exceeds that of the companies (68) is due to the fact that some companies have more than one audit firm. In 2008 one researcher gathered the field material and he used the same protocol as in 2004.

All notes were transcribed and the collection of notes was filed in a database. This paper primarily makes use of the notes taken in reference to the auditors. Nevertheless, in order to give a flavor of the setting in which the auditor performs, we have drawn on all the notes in the database, e.g. using both quantitative data such as head counts and time, as well as illustrative anecdotes to answer the research question. To provide both data for the entire sample as well as qualitative accounts strengthen the analysis by reducing the risk of offering a particular account as a general one (e.g., Silverman, 2001).

In addition to the data gathered at site visits, we have carried out three workshops with auditors among the Big Four and carried out five interviews with auditors (with experience of performing at the AGM). Although these encounters with the auditors outside the sites were fruitful for calibrating our findings, they are not presented at any length in our analysis.
Ritual performance and the others at the AGM

The AGM is an obligatory event for any limited company in Sweden and there are several rules that guide the auditor’s work. To begin with, the Company Act posits that the auditor shall make a statement of whether the accounts comply with a true and fair view. Furthermore, the law prescribes that the auditor must state in the audit report whether s/he recommends that the AGM discharges the members of the board and managing director from liability (Swedish Company Act, chap. 9§33). In Sweden, a listed company must present audited accounts at the AGM so that the shareholders may accept them. This, in turn, gives the board an authorization to operate. Furthermore, for firms listed at the Stockholm Stock Exchange (and those with a Swedish head office), the auditor must attend the AGM. The presence of the auditor in the AGM differs from reading the audit report since it “confront[s] the reader's image of a person with the lively impression created when the words come from a body not a page” (Goffman, 1983, p. 1). In practice, if the auditor is not at the AGM, no audit report is presented and the year cannot be finished. Consequently, the auditor at the AGM is crucial in order for the firm to close their books and, in turn, for the firm to continue its’ operations (Catasús and Johed 2007).

There is a paradox in the rules and the norms guiding what the auditor should do at the AGM. On the one hand, there is an ambition that the auditors promote transparency (OECD, 2004) and for supplying information to the owners about the report that the management has presented (Watts and Zimmerman, 1983). On the other hand, not everything may be communicated at the AGM. The first issue relates to the Listing Agreement for firms listed at the Stockholm Stock Exchange where it is stated that no stock market value-relevant information may be communicated at the AGM (Stockholmsbörsen 2003). As a result, the auditors must be careful not to reveal information that has not been communicated elsewhere. Specifically, the Listing Agreement states that:
“[w]here criticisms are communicated by the auditors to the board of directors or the managing director … the company shall, where the criticisms relate to circumstances which may be of significance for a valuation of the company’s listed securities, immediately submit such criticisms to the Exchange” (ibid., p. 9).

Consequently, any information that may impact the share price should be disclosed before the AGM. Second, paragraph three in the Swedish Auditing Law states that the auditor must not give information that can lead to substantial harm for the company. Contrary to what would be expected from agency theory, the management rather than the shareholders may be viewed as prioritized actor. Although the shareholders at the AGM might expect that the auditors will unfold management’s secrets and privileges (Power 1997; Power 2003) and give the blunt opinion about the accounts, the auditors might restrain from that because of legislation. Third, it is central to auditors’ professional ethic to observe a fair amount of secrecy (Rhode, Whitsell et al. 1974; Evans and Nobes 1998). This means that, when entering into the AGM, there is a tension between the auditor presenting findings in the light of an idea of a professional skepticism (i.e. disclosing conflicts, dilemmas and negotiations between the auditor and the company) and the auditor taking on a more neutral role in which the qualified/unqualified distinction suffices. All in all, the AGM presents a principal agent relation where the code of conduct and regulatory ideal prioritize the company over the shareholder.

**The AGM as a ritual performance**

In Sweden, the AGM is an event taken for granted during the spring, to the point that it is popularly referred to as “the AGM season.” Available statistics for the time period 1988-2007 reinforces the notion of the spring being an “AGM season” in that; 75% of all AGMs took place during April and beginning of May, 90% of those AGMs start after lunch and companies avoid having their meetings on Mondays and Fridays. To
schedule the event from April to May have been a gradual process and one explanation to it is that around those dates the first quarter report has been communicated and therefore the company has an opportunity to not only comment on the last year but also this year. While the timing of the AGM is similar and static throughout the field of public companies, the number of shareholders and because of that the venues varied from nine people attending the AGM in the firm’s conference room to more than one thousand shareholders meeting in a sports arena. As a result, some AGM’s resembled small family dinners and others music concerts. In fact, in the larger AGMs there was entertainment of some sorts. In Atlas Copco, known for their compressors and mining drills, the AGM was in the Berwaldhallen which is the concert hall of The Swedish Radio Symphony Orchestra. Parked outside the concert hall was a giant mining drill that served as a beacon for shareholders on their way to the meeting. Many of the larger firms showed films before the official event started and as an example the SAABGROUP (active in the military-defense industry), showed the latest technology in missiles and offered participants to fly fighter pilot simulators. The ritual performance is here designed for a front stage (Goffman 1959/1990) where the spatial setting as well as the materiality of the firm’s products sets the ambiance for the activity soon to happen.

When entering the AGM, there was always the possibility to get a copy of the annual report and the agenda of the meeting, and many in the audience took one. The agenda of the AGM details who and in which sequence the actors will perform. Importantly, the last bullet point in all agendas informs the participants of the meeting that the meeting will come to an end. The vast majority of AGMs served some food and drink after the meeting was closed. Often, the chairman somewhat ironically reminded the audience the last item of the agenda was the one that separated them from the drinks. In this way the food may be seen as an acclamation of the efforts to finish the year or it was the celebration (or the opposite) of the financial outcome. And, as in any social encounters, food and drink sanction that there is a commonality between those attending the meeting.
Typically, the board, management and the secretary to the board entered the stage some minutes before the AGM starts. The seating of the shareholders was invariant. The large private controlling shareholders were seated in the front rows close to the podium. Also, they were often seated beside each other. The representatives from the institutional owners tended to sit a couple of rows behind the major private shareholders. The auditor was also seated in the very front, close to the podium, however, always at a certain distance from the other participants of the AGM. More specifically, in many cases the auditor had an empty seat on both sides of him/her. While the auditors in this way may mark distance to the management team, we frequently observed that the auditor entered the locale together with the board and management team. In cases where they entered separately they always greeted each other, engaged in small talk, and then took their seats.

Furthermore, the dress code of the auditors on the AGM was more or less the same over all the observations. This means that they were under-dressed in comparison to the CEOs of the financial firms and over-dressed in comparison to the CEOs of IT-firms. When confronted with this observation at one of our workshops, one auditor said: “It is like cars, auditors should have nice cars, but not nicer than the CFO (2005/10/13).” Similar to studies of professionalization the auditor’s part in the AGM is about being a professional which requires a way of behaving and attention to dress code, interaction with the company as well as the seating is enactment of expectations as to behave professional (cf. Coffey, 1993; Anderson-Gough, Grey and Robson, 1998, Grey, 1998).²

The AGMs took different amount of time where the shortest AGM in 2004 took only 40 minutes (compared to the median AGM of 83 minutes, and the mean of 94 minutes). Throughout the field-work we noted that the ambition to end the meeting as swiftly as possible was shared among the participants. For example when the CEO of an

² Clearly simply dressing as an auditor does not make an auditor, however. Judging from our study, not dressing like one would definitely risk being perceived as one.
insurance firm company presented the problems and opportunities of the firm, one shareholder behind us started cussing and said (quite high): “Isn’t he finished yet? Is it some kind of matinée, or what?” On the other side of the spectrum, three of the AGM’s took about three hours. Time may be viewed as an indicator of the relative importance of the actors when communicating with the owners. In Table 1, we present the average time that the actors spoke. Although the measure certainly faces the problem that quantity (here measured in relative time) can be a poor proxy for quality (Hasseldine, Salama et al. 2005), it still shows that the auditor plays the smallest role of the recurring actors at the AGM. The session with questions and answers for the shareholders is on average 18% of the time, and it needs to be added that the possibility for the shareholders to pose questions is mandatory for firms listed on the Stockholm Stock Exchange.

<table>
<thead>
<tr>
<th>Actor (Activity)</th>
<th>Share of time (on average)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the AGM (Miscellaneous)</td>
<td>37 %</td>
</tr>
<tr>
<td>CEO (Speech)</td>
<td>27 %</td>
</tr>
<tr>
<td>Shareholders (Questions asked)</td>
<td>18 %</td>
</tr>
<tr>
<td>Chairman of the board (Speech)</td>
<td>11 %</td>
</tr>
<tr>
<td>Auditor (Reading/Speech)</td>
<td>7 %</td>
</tr>
<tr>
<td>Total</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Table 1: Time spent by different actors.

In the coming sections the auditor’s face-work is continually analyzed and the proposition is that because an AGM typically unfolds in an invariant form, the potential deviance from it introduces tensions to the auditor’s role at the AGM. Thus, the AGM is, in Goffman’s sense, a social encounter in which the auditor needs to sustain its’ ritual equilibrium by fitting into that encounter.
Face-work at the meeting

The script - Establishing and maintaining face

In casual social encounters communication plays the role of establishing a face-to-face relationship by typically asking: “How are you doing?” Goffman (1967, p.41) argues that greetings are central because they indicate that the relation to the others is as it was when they last met, and that it will be sustained. This part of the auditor’s commitment to sustain the relationship may be illustrated by the fact that at the AGM the auditor is presented at a specific bullet point of the agenda. The timing of the auditor’s part is noteworthy. There is no legislation related to which order the auditor should perform his/her part. However, the norm affecting all AGMs were so that the auditors entered the stage after the presentation of the annual report had been completed which is also after the Q&A session between the firm and the shareholders. In this way, that the AGM aims to open up a discussion of accountability between the company and the shareholders to a certain extents excludes the auditors because of this particular way of structuring the AGM’s agenda. In fact, we recorded no cases where the chairman of the meeting reminded the shareholders that they could pose questions to the auditors under the Q&A session. Effectively, the auditor’s part is presented as unrelated to the dialogue between the company and the shareholders.

The auditor’s face-work is dominated by a script, the audit report, and all the auditors (except one) read some of the contents of the audit report aloud. The full audit report consists of around 250 words that effectively take 2-3 minutes to recite. As an illustration of how the script is central for this ritual we noted that the auditor often mechanically referred to the page where the report is printed and that the audience turned to the page and silently followed the auditor’s assertion. The oral presentation includes either reiterating exactly what is disclosed in the annual report or only the last section of the report including the qualified opinion. Although the report has been criticized for including a boilerplate and technical language (IOSCO, 2009), the auditors rely on the
script as a means to establish and maintain face. Reading aloud a standardized script, something which the shareholders could read themselves, is way of reducing interaction (e.g., Mintzberg, 1973) and fundamental to the ritualistic aspect of the meeting. However, following Pentland’s (1993, p. 612) argument, such reiteration only becomes “valid when performed by certain individuals.” Thus, face-work for the auditor is to contribute to the ritual by holding on to an established, standardized, script.

If we magnify the 7% of the total time that auditors spent in the spotlight, 40% was spent reading the audit report and the remaining 60% was spent on presenting other auditing issues. In twenty-nine cases the auditor occupied less than five minutes typically proclaiming the audit report as printed in the annual report or summarizing the audit report in their own words (see Table 2). In eleven of these twenty-nine cases the auditors also informed the shareholders of the number of meetings that the auditors and the audit committee had had. Although the auditors may maintain face with a limited time in the spotlight and that the expectation of the auditor’s communications is low, the auditor experiences tension on entering the podium. One auditor explained:

“Yes, I am a bit nervous because there may be detailed questions that may come up that you are not prepared for. Typically, we completed the audit three months ago so there may be a few things that you may not remember perfectly” (2008/09/16).

Although we recorded few questions addressed to the auditors and in that respect the experienced tension is unfounded; the tension is experienced on both a personal and institutional level. As an indication that there is more at stake than the individual performance of the auditor, FAR (The Swedish Institute of Chartered Accountants) meet with the major shareholder’s association beforehand as to calibrate their views and concerns. Such institutionalized nervousness is further witnessed in the fact that FAR produce handbooks as well as a video, which detail the auditor’s need to know about the auditors part of the AGM as well as it devotes twenty-five of 217 pages to questions that
may come up at the AGM (FAR, 2003). In fact the very first sentence in the forewords of the handbook reads: “The simple argument of this text is that it is better to be prepared.”

<table>
<thead>
<tr>
<th>Time used by the auditor</th>
<th>Number of observations</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>&lt; 5 minutes</td>
<td>12</td>
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<tr>
<td>5 - 10 minutes</td>
<td>19</td>
</tr>
<tr>
<td>&gt; 10 minutes</td>
<td>4</td>
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Table 2: Time used by the auditors

As can be seen from table 2, thirty-four observations placed the auditor in the spotlights between 5 and 10 minutes and four auditors spoke more than 10 minutes. Similar to peers that occupied less than 5 minutes auditor’s appearance in the two categories (5-10 minutes and more than 10 minutes) meant reading out aloud from the audit report. While the utterance of the standard script refers to the end product of the audit little was typically mentioned about the actual audit process (i.e. focus, particular risks specific to the company etc.). In this way, the auditor seldom discloses what it is they do when auditing, but what typically distinguished these two categories from observations in the first category was that they spent time in telling the story of what they included in the audit. To exemplify, the auditor at Novestra’s AGM in 2004 (an investment company) said that the auditors had spent a lot of resources in assessing the prospect in which 6 million new shares were issued to their shareholders. In connection to that information, the auditor made a point of fact that the issuing of shares is an extraordinary measure that is accounted for separately and “explains the high fees to the auditors, but does not affect the independence.” The auditor, here, shows that he is one important actor of the continued functioning of the company and as such there is value to the audit fee. There is, occasionally, a critique of the fees for the auditors and the AGM offer a forum in which the auditor can seek to forego critique or explain the meaning of the audit fees.
In other cases the auditor expanded into commenting on the performance of the business and the implication that it holds for the audit. To exemplify, at the 2008 AGM of Telia (a telecommunication company) the auditor started out cryptically by saying: “It’s better to be rich and handsome than ugly and poor.” and then followed an explanation and substantiation of that claim:

“By rich and handsome I mean that for an auditor auditing a company such as Telia with relatively low degree of net debt, strong and stable cash flows and strong profitability we can more easily defend for example impairment tests of goodwill. This makes it easier for us to do our job. The practical implication for the auditor and his team is then that the company’s assumptions of terminal values, in their valuation models, become less risky.”

The illustrations above shows that to establish face, the auditor at the AGM claims a value of its function that link to what shareholders and management expect from the auditor. What shareholders learn about the audit process is that there is interaction between the company and the shareholders and one auditor, in 2004, summarized this interaction in the following way:

“We have done the planning and the risk analysis together with the board. We visit subsidiaries. We help the local auditors in relation to local managers. Sandvik is on the right tracks with respect to IFRS. Sandvik has a good control structure. The main impression is that Sandvik has strong control awareness. The issues we have raised have been accepted and immediately adjusted.”

If informing the shareholders about implementation issues, as exemplified above, complements the audit report’s with additional information that could become detrimental to the company if the auditor would disclose critical negotiations between the
company and the audit team. Thus, face-work is to establish and calibrate that shareholder expectations’ are moderate and do not surpass what the auditors can deliver. At the end of the audit report is the sentence regarding the discharge of liability that all auditors mentioned (even the one that did not read from the audit report). The last section of the audit report includes the auditor’s opinion on discharging the board from liability:

“I recommend to the general meeting of shareholders that the income statement and balance sheet be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.”

Such a recommendation may have far reaching consequences for shareholders in as much as wrongdoings that are detected after the meeting has discharged the board and the management of liability reduce the shareholders’ possibilities to raise claim on behalf of the company (Johansson 1990). However, the recommendation of discharge does not concern the auditor and consequently s/he can be held legally responsible if any wrongdoings are detected after an AGM has granted discharge (Johansson 1990). Arguably, the discharge of liability brings extra tension to the auditor’s work at the AGM because in cases where wrongdoings have been detected after a discharge of liability has been granted based on the auditor’s recommendation, legal actions have been taken against the auditor.

Empirically we may distinguish between three scripts that guides the auditors face-work. The first one is to merely read the audit report and, based on our impressions, this does not deviate from the expectations that the others have on the auditor. The second script to is to add some information of what the auditors in the auditing project have actually done, as exemplified with the auditor of Novestra. This script is common and is, as one auditor said in an interview, “a way to inform the owners that we do not only send an invoice – we work as well.” Although this script is more business-like it is
primarily the business of auditing that is communicated to the shareholders and to the management. The third script is a script that connects the auditor to the firm and establishes the auditor as “our auditor”, rather than “an auditor.” Here the auditor offers an analysis of the risks and the direction that the firm is taking and connects that to audit, as exemplified with the case of Telia.

These three versions of scripts that are enacted at the AGM are the auditors’ contribution to the ritual. The association we can find between companies and type of script is that commenting on the audit and the company’s operations and even making a connection between the two is mostly frequent in major companies. Those major companies are typically also companies that popularly are referred to as “Folkaktier” literally meaning “People’s shares” to indicate their popularity among minor shareholders. When examining the reaction by the others, none of these scripts challenge the invariant form of the AGM and the face-work is set out to achieve an equilibrium in which the shareholders, the management, and the auditor may leave the meeting without losing face. As noticed, the scripts do not challenge the accounts or communicate the challenges that were encountered during the audit. The auditor at the AGM does not talk about the audit process and auditing, arguably, takes on a different mask when being presented to the shareholders compared to the audit engagement which has been taken place elsewhere (see e.g. Beattie, Fearnley, et al 2001).

Disruptions and saving face

Disruptions to an establish script is critical because such face-saving work includes both protecting the image of oneself as well as the other’s image of themselves. The following example from the AGM of Mekonomen (a car-part dealer) is telling about face-saving as a disruption put the equilibrium between the auditor and the management at stake. The following is an excerpt from our field notes in 2004:

The auditor enters the stage after being called up by the chairman of the board. The chairman is also the chairman of the meeting as
well as one of the (two) major owners of Mekonomen. On his way up to the stage the auditor asks the chairman of the AGM if he should read the shortened or the full version of the audit report. This seems to bother the chairman and he hesitates. After looking out over the assembled shareholders in the historical and rented locale, he says to the auditor that the shortened version suffices. At that time something unexpected happens: A spontaneous applause is heard from the shareholders sitting in the audience. The auditor shrugs and reads the shortened version. After the report has been read, the chairman waits for any questions from the shareholders. None are posed. The chairman and the auditor look at each other and the auditor starts walking down from the stage. It then looks like the chairman realizes that there is something fundamentally wrong here and he asks the auditor (as the auditor is walking down from the podium) in a rather nervous voice if the company has their papers in order. The auditor replies a straightforward “yes”, still walking down.

The passage contains two analytically interesting passages about what auditors do at the AGM. First, both the auditor and the shareholders accept that the auditor simply re-state the abbreviated audit report. They are on par with each other because that is a re-iteration of the script and reasonably resonate with a general disinterest in audits (that do not fail). Second, although the relation between the auditor and the shareholders is just, in the sense of a mutual agreement, it is a disruptive event because what is mediated between the auditor and the shareholder is an opinion of the performance of the management. Thus, disinterest to the point that an abbreviated report is greeted with a cheer, reminds management about the agency-principal relationship. That is, this disruption challenges the way the management looks at the situation; the management starts seeing the event from the eyes of the shareholders and this image is not acceptable and, therefore, the chairman asks the question of whether the papers are in order.
Performance and others expectations are only just to the point that they do not jeopardize a third part in the ritual.

More often than the awkward situation discussed above, the auditors mediated the relation between the management and the shareholders by reference to their own area of expertise. As mentioned earlier, the Q&A part of the AGM stands for the most potentially dramatic part of the AGM because any shareholder may ask any question. Although regulation holds that the auditor may postpone any question that has not been supplied to the board at least two weeks before the AGM, the auditors face-keeping activities seems to demand that they answer the questions that are posed. In fact, only on one occasion did we record that one auditor waited to answer questions that were posed at the meeting. Instead of being directly asked the auditors were often referred to the Q&A by the CEOs saying “this is a question for the auditor.” However, the mere presence of the auditor at the AGM was also utilized as an argument. This is true not least when there was some critique raised towards the management. As an illustration, an investor group questioned generous equity distributions because of a fear that it would drain the company the CEO simply ended the discussion by saying “the auditors have approved it, what more is there to say?” (AGM of Swedish Match 2008).

One further example that illustrates how top management strengthens their argument by referring to the auditor comes from the AGM of Poolia in 2008. Poolia (a firm in the recruitment and hiring business) had decided to sell 4% of their subsidiaries to the subsidiary’s CEO, in an effort to tie that employee to the company. Both the Swedish Shareholders Association (SSA) and the institutional investors in charge of mutual funds for two major banks questioned the price of the subsidiary. They argued that the price was too low and that it was disadvantageous to the other owners, essentially a disruption to both the managers as well as the auditor. Without providing any reasons to why they did not agree with the critique, the chairman simply said: “It’s made by auditors and approved by our auditors”. According to the auditing firm a correct market value of that unit was 2.2 times EBIT (13.7 million SEK), which meant that the CEO of that particular
subsidiary would pay 0.5 million SEK for his 4% stake. Questions about which discount rate and market growth that the valuation was based on were unanswered by the chairman. This case illustrates that it is not only the audit report that plays a major role in solving potential conflicts between shareholders and the management but also by invoking the technical expertise of the auditor may settle possible disruptions.

We also recorded events where the auditor actively tried to save management’s face. In 2004 we recorded the following discussion between the representative of the SSA and the management in BioPhausia (a pharmaceutical firm). The matter at hand was an acquisition of a company formerly owned by the CEO of a subsidiary (CEOdc):

SSA: How much did Edman (CEOdc) pay for the shares?
CEOdc: 9 900 SEK. It was not an acquisition of the shares.
CEO: No, it wasn’t.
SSA: This is not on the agenda of the AGM. Such an acquisition demands 9/10 majority. Why is this not mentioned in the notification? This is an error. The matter falls under the LEO-law and should be valued by an independent actor.
Auditor: (Starts to speak without being invited into the conversation). I have done a valuation. Among other things, I had contact with our corporate finance entity. With respect to the amount being non-material there is no need for further verification. We have done the verifying process.
SSA: We think that this is important. The board has valued the company to 3 million SEK.

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3 The LEO-law is a Swedish law that came out of a corporate scandal 30 years ago and it places higher majority requirements (up to 90%) to issues that are directed to, among others, the company management and persons of close standing.
Auditor  There is no need for an independent verification because the amount is so small.

SSA    I think this whole affair has been carried out in a careless manner. It seems to be a good payoff [for the CEO]: An investment of 9 900 SEK became 3 million SEK. Does the auditor have any remarks?

Auditor  A traditional cash-flow valuation has been done.

This example illustrates two things. First, the auditor may in fact play a more active role in the relationship between owners and managers and, second, that auditor claims expertise and rigor by reference to technical abilities. The auditor actively worked as an advocate for both the audit report and for the CEO. On the one hand, this cannot come as a surprise because the auditor has already marketed his position in the audit report and accepted the valuation of the acquisition. On the other hand, despite the fact that intervention from the auditor blurred the role as providing service for the shareholders, he challenged one of the owners. The critique, however, made the auditor refer to issues of audit processes such as materiality and to widely accepted theoretical models such as cash-flow valuation. When disruption occurs, the auditor finds a new equilibrium by claiming expertise (Larsson, 1977).

The final example we provide is from AGM where the auditor took a clear stance for the management and against a shareholder. The example was recorded at Securitas’ AGM. This was recorded at Securitas’ AGM and the following is an excerpt from our field notes with clarifications made to them:

At the Q&A session a shareholder asks the company about the goodwill item and whether the signing auditor or any of his assistants audit companies close to the major owners or top management. The chairman of the board who is also the chairman of the AGM and the major and controlling owner of the company take up the question. Because the company is a service company
that has had an aggressive acquisition strategy the goodwill item is the major asset of the company. The goodwill issue is sensitive because a journalist have in a number of articles criticized the company, alluding to the goodwill item as over-boosting the value of the balance sheet. The chairman answers the shareholder in an aggressive tune that the auditors’ checks this frequently and that the journalist is simply wrong on this matter. (The shareholder had not mentioned the writings about the company’s goodwill.) The auditor then chips into the discussion and clarifies that “There is nothing wrong in this company. I am ultimately responsible for this company and I can assure you that there is nothing wrong in this company. They are exemplary. They carry out full audits in all their subsidiaries which is above the legal requirement. I have personally been in contact with the editor and the journalist and explained to them that they are simply wrong on this matter.” After this inculcation from the auditor the controversy seems settled. A few seconds of silence and then the secretary to the meeting [seated next to the chairman] seems to remind the auditor [who is on his way back to the front row] and the chairman that there was another question; the one about auditing other companies close to the major owners and top-management. The signing auditor says first no and then seems to remind himself that he does and says that he audits one other public company where the major owner is also the a major owner in the present company. After that the other auditor answers and it turns out that he is the auditor of all private companies of the CEO, the chairman and also of one company of the other major owner. Without a comment from the shareholder that asked the question the chairman turns to him and says: “You are discrediting us. If you would no your history about the Kreuger
collapse you would know that that failure happened because there was no single auditor who had an overlook of all companies in his empire.”

Taken together, the harsh dialogue at Securitas demonstrates that acting on challenging disruptions can effectively background the way professional skepticism of the auditor is communicated. Whether planned before or decided upon after this event, later on, when the auditor reported about the audit, he commented about the audit process as being “straightforward.” Reasonably, the auditor sought to re-install the equilibrium which included a notion of distance to the company, a technical proficiency as well as still being “our auditor.”

Disruptions are challenges to the equilibrium and disruptions led the actors to improvise and act beyond the scripted behavior. As improvisation implies, disruption can be handled in many different ways. In the case of Mekonomen it was the chairman of the board that became aware of a disruption and tried to reach equilibrium by re-inviting the auditor. In the case of BioPhausia, the auditor settled the disruption by merely making reference to the technical expertise of the auditor and thus management could avoid going into detail. The third case with Poolia illustrates that the auditor may conceive a critique of management as a critique of their own expertise. That is, although the auditors may have been skeptical to the sale of a subsidiary to a leading actor of the firm, the AGM is not a place and time to articulate the auditor’s concern. The last case shows a disruption that makes the auditor save face by blaming an outside enemy (the journalist) and by distancing himself from the shareholder. Although the face-work that the auditors carry out at the AGM is well-scripted, sometimes there are disruptions that question the competence and independence of the auditor. This may explain the personal and institutional nervousness around the AGM and explains why our main impression of the auditor at the AGM, regardless of how his/her few minutes in front of the others evolved, just wanted to go back to the office. In Goffman’s terms, the auditor’s face-work at the AGM is all about avoiding more social interaction than necessary.
Conclusion and limitations

One ambition with this study is to contribute to audit and corporate governance studies by not least complementing earlier studies of the professionalization of auditors. One conclusion, including professionalization literature, would suggest that the auditors strategically play out their role as firmly committed to professional demands and public perceptions (e.g., Cooper & Robson, 2006; Carnegie & Napier, 2010). While it has been repeatedly pointed out that being an auditor, in particular at the major audit firms, is being manager of a profit center in which keeping the clients happy is crucial (e.g., Cooper & Robson, 2006; Gendron & Spira, 2009; Kornberger et al., 2011) a different variant of this story is found at the AGM. Although the auditors meet with their customers, the shareholders, issues about the value creation of the specific audit or even what the audit contained were almost always absent. In relation to this literature, then, to be professional is to follow the script that does not allow for business talk. The ritual of the AGM expects the auditor to play the part of the traditional auditor (Carnegie and Napier, 2010).

In line with what Roberts and colleagues (2006) demonstrate in their study about investor meetings, we note that important issues probably have been discussed beforehand. The fact that many auditors entered the premises together with the board of directors, indicates that the controversies were left behind closed doors and that different standpoints in relation to the financial report (Beattie et al, 2004; McCracken et al 2008; Gibbins et al 2001; Gibbins et al 2008) are absent at the meeting. From the observers’ point of view, the strategy (compare McCracken et al, 2008) of the auditors at the AGM is to never negotiate and never disclose the negotiations that occurred. A shareholder, then, only gets to know the settled account. And, more importantly, seems to be satisfied with such an account.

Although the auditor is physically present at the AGM, it is the audit report – the published end product - that plays the leading role. This has the effect that in most cases the auditor takes on the role as a herald, by reading parts of the audit report out loud.
Earlier studies on professional appearance (e.g. Covaleski et al, 1998) showed that there were explicit dress codes and other codes of just behavior. As reported above, no matter from which firm they were employed at or which firm they audited, the auditors’ had a coherent dress code. Also, our study shows that the auditors choose a seat that was not next to the management. For the auditors, then, the AGM offers a possibility to strengthen the independence in appearance.

The benefit of studying auditors in a setting with the others is that while the front stage of audit is different to the backstage, as the image carries both an individual and institutionally located nervousness. We can conclude that the auditors acted their part in the meticulously directed ritual. However, transiting from professional skepticism and intense negotiations with the management (Beattie et al, 2004; McCracken et al 2008; Gibbins et al 2001; Gibbins et al 2008) the auditors at the AGM find themselves in a situation where they have to dispose part of their work and instead make clear reference to the end product of the audit. However, that transition is connoted with tension on the auditors part because in the midst of saying more about the audit than the audit report to the shareholders as well as observing secrecy vis-à-vis the company, we show that it is not only an understanding of the others’ expectations but also the managing of one relation’s expectations (the auditor and the shareholders) affect the expectations of another’s (shareholders and management). These inter-related relationships are handled not only as a continuous effort to establish, maintain and save face, but also by holding on to a script and aligning to the ritualistic features of the AGM.

Other studies of audit work and financial oversight have typically understood the notion of a ritual as being with material substance for the audit work (cf. Beasley, Carcello, Hermanson & Neal, 2009). However, because a ritual means reliance upon a hard-wired script with a fair amount of predictability, deviation from it offers opportunity for shareholders to exploit it. Auditors that chose to inform more than the standardized report put at stake not only the audit process itself but also the relation to the shareholders as well as to the managers. Also, in this situated event, auditors may have to handle
unplanned events and by drawing on insights from Goffman’s micro-sociology we found that the auditors were also involved in handling disruptions of the script and that they improvised in order to return to equilibrium. So for example, pushed about the valuation of shares in a subsidiary or trapped in a situation where shareholders applauded the abbreviated version of the audit report, the auditor felt a need to both mark professional conduct by reference to technical expertise (in the case with the valuation of the shares) as well as desperately demonstrate his independence by uttering that management behaves well.

What we record is that the auditor plays an essentially defensive role and by presenting the end product of the audit, the auditor puts less at risk. This emphasis of not altering the equilibrium between shareholders and managers is in this context germane for the auditor’s performance. In essence, on the one hand, there is a tension on account of a potential conflict of interests between the three different sets of actors at the AGM. On the other hand, the meeting itself is a ritual in which the auditors work towards saving faces and being able to leave the meeting with the least possible amount of problems. The caution to the others has not been in the center of analysis in previous studies of audit work. What we may add to previous studies on audit work is in effect a product of the context of a social encounter and the tension such an encounter brings with it. Specifically, it is not so much an auditor that is at the AGM to perform the function of a controller on part of the shareholders, as suggested by agency theory (see e.g. Watts & Zimmerman, 1983). Although the AGM is an ideal setting for agency relations to unfold, we cannot report such activities from our investigation. On the one hand, this might be an effect of the fact that there were no qualified reports. The fieldwork was carried out during two time periods that were essentially calm. Certainly, such a contingency begs the question whether similar fieldwork during more financially turbulent times or closer to financial scandals would mean that auditors became the center of attention. On the other hand, the hypothesis that no accounting issues of interest for the shareholders of the 67 AGMs does not seem likely. The governance codes and agency theory frames the auditor at the AGM as a role for control. In practice, however, the auditor at the AGM is
not only stuck between expectations of e.g. transparency and secrecy, but is also in the middle of a social practice. This social practice has a particular format and in our observations we note that it is not only the auditor that wants the meeting to end, but also the shareholders. This might also explicate the auditor’s part, i.e. to perform without prolonging the meeting.

One reason why AGMs are not covered in the auditing literature is, we think, that the auditor’s role is different in different jurisdictions. What is particular for the Swedish context and what may be possible to record, analyze and further in other national contexts remains to be seen, but clearly there is an opportunity for such work. This may not only take place at AGMs but what we suggest is that future attention to auditor’s participation in social encounters and the tension it may bring to their performance of acting out the script of being a professional may as well strengthen or weaken our argument here.
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