Exploring auditor independence: an interpretive approach

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Abstract

Purpose – The purpose of this paper is to explore the construction of the meanings of auditor independence (AI) in an oil-rich autocratic state with an ideology straddling liberal market capitalism and Shari‘ah (Islamic teachings).

Design/methodology/approach – The concept of AI was explored using Blumer’s interactionist approach or the Chicago School of Symbolic Interactionism (CSSI). Multiple methods were adopted in collecting and interpreting data: document analysis, personal professional experience, observation and interviews with auditors in two audit firms in Saudi Arabia.

Findings – Using discourse analysis, the paper demonstrates that auditors construct the meanings of independence in appearance and in fact through their social interactions at three levels: micro (personal self-reflexivity through ethical reasoning and reputation of individual auditor); meso (organisational culture through range of commercial activities and image management) and macro (through political, de jure, and socio-economic structure).

Originality/value – The paper contributes to the auditing literature by providing insights into the construction of the meaning of AI in a context different from the dominant Anglo-American discourse, as well as transition and emerging economies discourse. The paper also contributes to the CSSI research methodology by extending it to consider interactions not only within an organisational context, but also within the context of a country.

Keywords Auditing, Ethics, Religion, Saudi Arabia

Paper type Research paper

Introduction

The concept of auditor independence has a long history and still remains a contentious concept today. In the early twentieth century, the concept of independence was associated with correct character and state of mind of the accountant through exhortations of duty and loyalty[1]. Hence, independence was assumed to mean integrity, honesty, and objectivity, including freedom from the control of those whose records are being reviewed. Carey and Doherty (1966, p. 39) addressed the concept as “… an attitude of mind, much deeper than the surface display of visible standards.” Discussion on auditor independence then evolves around two forms: “independence in fact” and “independence in appearance”. The former requires auditors to form and express an opinion in the audit report as a disinterested and expert observer, uninfluenced by personal bias during the audit engagement (Arens et al., 2002), while

The authors gratefully acknowledge the helpful comments and suggestions of the anonymous reviewers and the Editor (Professor Lee Parker).
the latter expects auditors to avoid situations that might cause others to conclude that they are not maintaining an unbiased, objective attitude of mind (Porter et al., 2003).

Because of the intangibility of the concept of auditor independence as well as change in the work environment[2] auditor independence which was once considered as a moral-ethical position has now been largely conceived as an object that can be regulated (or self-regulated) through standards promulgated in codes of ethics and/or government regulation, and checked on and verified through reviews (Gendron et al., 2006). Despite the effort of professional bodies in developed countries in addressing the various threats and safeguards to independence via various codes (e.g. the Professional Code of Conduct (US), the Members' Handbook (UK) and the Code of Ethics for Professional Accountants (IFAC)) and regulations, they are still susceptible to corporate scandals. Yet, these codes and regulations are embraced by many developing countries, including those undergoing transition from centrally planned to market economies, such as in Central and Eastern Europe and China, as part of the globalisation process.

A large volume of research on auditor independence concentrates on exploring perceptions of interested parties on auditor-client relationships[3] based on threats and safeguards in the various codes (see for example Knapp (1985), on the USA; D'Silva (1992), on the UK; Gul and Tsui (1992), on Hong Kong; Teoh and Lim (1996), on Malaysia; Gorman and Ansong (1998), on Canada) using the positivist approach. Although the results of such studies inform us of the perceptions of various groups, they fail to consider many other factors within the context of the countries examined, such as the political and socio-economic structure, organisational culture and societal and individual values that may have shaped the subjects' perceptions (Puxty, 1993; Puxty et al., 1997) on situations that may or may not impair auditor independence.

Understanding the context is important because auditor independence is not only a technical concept, but also a cognitive and cultural concept (Wolnizer, 1987). Context-based studies in auditing are now receiving more attention. Power (2003) provided a critical review of contextual studies related to the role of auditing and production of legitimacy around four main themes: the audit process and formal structure (Dirsmith and McAllister, 1982; Cushing and Loebbecke, 1986; Dirsmith and Haskins, 1991; Carpenter and Dirsmith, 1993; Francis, 1994); auditing as a business (Humphrey and Moizer, 1990; McNair, 1991; Fischer, 1996; Jeppesen, 1998; Power, 2000); working papers and image management (Collins, 1981; Pentland, 1993); and new audits (Power, 1996; Radcliffe, 1998, 1999). Similarly, the emerging interest in transition economies has resulted in increased attention in country context-based studies (see Hao (1999), on China; Sucher and Bychkova (2001), on Russia; Sucher and Kosmala-MacLullich (2004), on the Czech Republic; Kosmala (2007), on Poland and the Czech Republic).

Despite the growth in the auditing literature on context-based studies, there has been little effort in understanding how the “meaning” of an auditing concept such as auditor independence is constructed in a context different from the Anglo-American model (democratic, predominantly capitalist, stronger tendency to protect shareholders, influential professional accounting bodies, reliance on terms such as “true and fair” based on considerations of economic substance over and above legal form), continental European model (stronger tendency to protect creditors, stronger reliance upon government with small input from the accounting profession, dominance
of tax rules), transitional economies model (those experiencing change in political ideology and economic system such as in the Central and European region, Russia and China), and other developing economies model such as in Malaysia and Singapore (semi-democratic, dominance of both foreign capitalist and local capital elites, stronger government intervention with large input from international bodies, semi-strong capital markets).

Hence, this paper attempts to address the gap in the literature by investigating how the meaning of auditor independence is constructed in the context of autocratic oil-based economies with strong state control and traditional/familial culture straddling liberal market capitalism and Islamic ideology, such as in the Arabian Gulf States[4], using the interpretive approach[5]. We are particularly interested in exploring how auditors articulate the notion of auditor independence in the context of their social interactions in such an environment, using Saudi Arabia as our case study. Saudi Arabia was selected because it shares similar characteristics with its counterparts in the Arabian Gulf region, namely, autocratic political structure with all socio-economic institutions under the leadership of certain families selected by the ruling family; oil-based economy; and common societal values. However, it is also relatively unique as it has a fairly different system of religious involvement in political and socio-economic affairs and is recognised as one of the most corrupted amongst the Arabian Gulf States[6], making it an interesting case study in its own right.

Since we are interested in understanding and explaining the social world primarily from the point of view of the actors directly involved in the social process (Burrell and Morgan, 1979), we adopted an interpretive approach based on the Chicago School of Symbolic Interactionism (CSSI) to study the phenomenon, as it offers the prospect of reflecting some of the complexity and richness of the environments within which auditing is being practised (Parker and Roffey, 1997). One of the researchers had the opportunity to interview, observe and interact with members of two audit firms for a total of 12 days to build an overall understanding of what influences their interpretations for the construct of the meanings of auditor independence in their everyday life. We also undertook document analysis of various texts to understand and interpret the social, historical and cultural circumstances.

Our analysis indicates that auditors in Saudi Arabia construct their meanings of auditor independence through their social interactions at three levels: micro (personal self-reflexivity), meso (organisational culture), and macro (political and socio-economic structure). At the micro level, we found “independence in fact” to be associated with ethical and/or religious reasoning as well as the reputation of the individual auditor as “man of honour”, especially the partner(s). At the meso or organisational level, “independence in appearance” is associated with image management and level of commercial activities. At the macro or country level, the political, ideological and legal system, economic and business structure and societal values within the environment affect various notions of independence and consequently, the meaning of AI. Our analysis further revealed tension between two groups of practitioners; Islamist practitioners who would like to see the Shari’ah concept of independence in all spheres of life, including business and the profession vs the more powerful secular practitioners who embraced capitalism and see religion as hindrance to progress.

The remainder of the paper is organised as follows. In the next section, we explain our theoretical framework based on the premises of CSSI. The following section
describes our research method, followed by discussion of the analysis in the next section. The last section presents our conclusions and implications.

Theoretical framework

Auditors, as individuals, groups and sub-groups, through their interactions, construct meanings based on their understanding, experience and interpretation of their surroundings and actions at various levels. Hence, an interpretive approach may provide the necessary framework to investigate how the meaning of auditor independence is constructed in Saudi Arabia, and if the constructs are indeed different from the dominant Anglo-American discourse and its implications on the audit profession.

Interpretive (or natural) approaches primarily focus on people’s perceptions of reality and on individual meanings (Hopper and Powell, 1985; Hopper et al., 1987), and are rooted in hermeneutics (Puxty, 1993) and the verstehen tradition in sociology (Schwandt, 1994). The approaches include grounded theory; ethnomethodology, which focuses particularly on the everyday social practices of actors and how they choose to do what they do (Chua, 1988); cognitive anthropology, which focuses on the individual’s communicative competence within a particular culture (Jönsson and Macintosh, 1997); and symbolic interactionism, which pays special attention to the concepts and symbols that actors use to conduct their social life[7].

The CSSI is particularly appropriate in exploring how various groups in society act towards their world, their interpretation of what confronts them, and how they organise their actions on the basis of their interpretation, or in short, the lived meanings of the concept of auditor independence to auditors. CSSI also recognises that the meaning attached to a particular concept is dynamic and can only be understood in its context, and therefore it gives substantial attention to the social, historical and cultural circumstances. There are three premises to CSSI: members of society act towards things according to their perceptions (meanings) of the phenomenon; the perceptions are formed based on language (symbols) in their social interactions; and their perceptions and actions are modified and handled through an interpretive process when dealing with the phenomenon (Blumer, 1969). In other words, CSSI recognises that society is not a homogeneous entity and assumes that understanding of society requires understanding of the individuals making it up and vice versa (Meltzer et al., 1975). According to Blumer (1969), CSSI recognises people as self-reflexive beings and their behaviours are not only driven by forces within themselves (e.g. instincts, drives, needs, etc.) or by external forces infringing upon them (e.g. political, social or economic system, etc.), but also what lies in between. Hence, CSSI sees meanings as social products derived from social interactions, i.e. the meaning of things for each individual is formed in tandem with the context of his/her social interaction at various levels.

Three important concepts in CSSI include social interaction, joint action and differential degree of power (Blumer, 1969). Based on the process of social interactions, one learns to fit one’s own conduct to be in line with others who share the same world view as a collective voice or by adjusting one’s conduct to fit with accepted norms. For instance, auditors often have their own pre-conceived opinions regarding various auditor-client relationships. When he/she encounters a new situation or rule, he/she will redefine his/her opinion based on interactions with others, e.g. other auditors, regulators, clients, etc., to fit his/her actions with others. Joint action represents the
collective conduct of diverse participants in the negotiation process when a new situation arises. For example, auditors and their professional colleagues, through their negotiation process, can take joint action to accept or reject new rules or recommended practices. Although the meaning is formed through the process of interactions and negotiations, the differential degree of power embedded within the structure and institutions held by various actors may not only influence but also change the meanings of the phenomenon. In other words, the change in meanings, and hence the actions, may be attributed to the higher level of negotiation powers held by some actors relative to others in the negotiation process (e.g. authority, political location, wealth, intellect, etc.) and to changes in the environmental set surrounding the actors (e.g. new economical discovery or innovation, etc.). Consider the audit firm: the managing partner holds a position of formal authority over other firm personnel, has the power to hire and fire lower level staff, and dictates certain matters to them. Thus, lower level staff are put out of the realm of “negotiations” and will act accordingly to be in line with expectations or take the exit route. Besides symbols, meanings and interactions, another basic concept in symbolic interactionism is self-reflexivity. The self is highly active and selective, having a major influence on its environment and itself. Language and ability to interpret symbols enables individuals to see themselves from the perspective of another and the content of self-concepts reflects the content and organisation of society.

Symbolic interactionism has been applied in management accounting research. Rosenberg et al. (1982) used a combination of participants’ own stories and observation to understand the constructed roles and work attitudes of qualified accountants in the UK local authorities that moved from the finance (mainstream) department to social services (new segment) department. They found that those who moved to the new segment have a newly shaped role and reciprocal impact on control procedures as well as on other employees in the new segment. Tomkins and Colville (1984) used observations and interviews in investigating how different conditions lead to different individuals’ perceptions and attitudes on the public image of an accountant in two organisations, i.e. police force and social services department. They found that accountants are often referred to as a “policeman” who controls money spending and holds individuals responsible for their actions through an established control system. Nahapiet (1988) studied the resource allocation process within an area of the UK’s National Health Service by combining the insights of interpretive theorising with understanding the organisation and its operations as a whole. She paid particular attention to language and other symbols for expressive purposes and concluded that the new accounting both shaped and was in turn shaped by organisational reality (i.e. reflexive relationship between accounting and organisational processes). Rosenberg (1989) conducted interviews with selected treasurers in district boroughs and non-metropolitan country councils, and attended meetings with the authority’s chief officers to study the negotiating mechanism of resource allocation between politicians and professionals. It was found that power differences between the two parties affect the budget-setting process and that the power of treasurers was unrelated to the commitment either to corporate planning or to the chief officers. Roberts (1989) studied the relationship between managers and subordinates within an organisational context where corporate targets increased competitiveness in managers. Based on a series of observations and repeated interviews with one subordinate, the study revealed how a
manager’s explicit goals and a subordinate’s personal ambition may be damaging to the relationship.

Unlike most previous studies that adopted symbolic interactionism in investigating the interactive meanings within an organisational context, we extend the theory to also investigate the interactive meaning within a country context. Cohen et al. (1992) argue that both cultural values and socio-economic conditions dominant in a particular environment will affect perceptions and behaviour. They use Hofstede’s (1984) four dimensions in addressing cultural values and two factors in the socio-economic environment, i.e. level of development of the profession and availability of economic resources, in their theoretical framework. Gendron et al. (2006) focus on the commitment that practitioners manifest towards auditor independence. They found accountants in Canada to be receptive to regulation as a control mechanism, suggesting some reservation in self-applying ethical standards without regulatory coercion. They further found type of accountants and audit firm as well as age, impact on commitments to independence. Drawing on Geertz’s (1973) approach to culture where meanings are simultaneously reflected in the personal (individual) and the public (collective) domains, Kosmala (2007) shows how the construct of auditor independence is influenced by cultural particularities and individual interpretations of more general notions of independence, such as ideas of individual freedom, and political and economic liberalism, as well as economic reality.

Similarly, in this study, we envisaged the notion of auditor independence to be articulated within the set of characteristics that reflect a particular social reality. At the country or macro level, factors such as the political and socio-economic structures and ideational realm of culture such as societal values and norms, philosophy, religious beliefs, and ethical principles, would set the boundaries within which actors interact and develop their actions accordingly. Within an organisation or at the meso level, interactions within an audit team and between auditors and their superiors may be affected by the organisational culture. At the personal or micro level, self-reflexivity will aid individuals in interpreting symbols and meanings and to see themselves from the perspective of others. These factors are anticipated to impact on the interpretation of the local meanings of independence. Figure 1 presents our conceptual framework.

Research method
As stated earlier, CSSI is an appropriate research methodology to adopt in studying how auditors construct the meaning of independence in their daily rituals. In conducting research based on the CSSI interpretive approach, the symbolic interactionist must adhere to the following principles:

- study the behaviour, the range and variety of symbols and meanings that are shared, communicated and manipulated through the interactions of various members;
- an individual’s symbols and conceptions of self must be linked with the social circles, groups and relationships that furnish him/her with those symbols and conceptions;
- the actor’s definition of the situation, his/her perception and interpretation of reality and their relations to behaviour need to be discovered and interpreted; and
- the behaviour setting of interaction and observation must be recorded.
Thus, methodologically, a combination of personal professional experience, document analysis, participant observation and interviews is deemed appropriate to provide the richest possible data for the purpose of this study. Research was conducted at two audit firms, one with international links and the other local. Table I outlines some important features of each firm.

**Data collection**

To familiarise ourselves with the country context and issues related to the concept of auditor independence, we collected secondary data comprising various mass media texts (newspapers, magazines, etc.), academic books, journals and research reports, as well as archive data from various governmental and private agencies. We reviewed the various documents to equip ourselves with background knowledge that would enable us to conduct the interviews more meaningfully. Based on readings and background knowledge gained, as well as experience with the cultural environment, we constructed

<table>
<thead>
<tr>
<th>Audit Firm 1</th>
<th>Audit Firm 2</th>
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<tbody>
<tr>
<td><strong>No. of partners</strong></td>
<td></td>
</tr>
<tr>
<td>Saudis</td>
<td>2</td>
</tr>
<tr>
<td>Foreigners</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
</tr>
<tr>
<td><strong>No. of staff</strong></td>
<td></td>
</tr>
<tr>
<td>Saudis</td>
<td>15</td>
</tr>
<tr>
<td>Foreigners</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
</tr>
<tr>
<td><strong>No. of branches</strong></td>
<td></td>
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<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Market share (%)</strong></td>
<td></td>
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<tr>
<td></td>
<td>10</td>
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<tr>
<td><strong>Audit services (%)</strong></td>
<td></td>
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<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td><strong>Non-audit services (%)</strong></td>
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<td></td>
<td>5</td>
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</table>

Table I. Features of audit firms observed

Figure 1. Conceptual framework
an interview protocol consisting of a list of broad topics with a few direct questions (see the Appendix). The first part consists of questions to elicit the interviewees’ responses on the meanings of auditor independence drawn from local rules and code of ethics. We then asked questions that would lead us to make sense of some of the social constructs of the independence concept.

A total of 12 days were spent in the two audit firms (six days in each firm). This involved not only conducting formal interviews with 12 auditors at various levels but also having informal conversation and observing auditors both at the workplace as well as on field assignment. Not all aspects observed (e.g. auditor-client interactions) are reported in this paper as we have limited our scope to only understanding their notion of independence and AI in every day life.

As mentioned earlier, formal interviews with 12 auditors at different seniority levels were conducted in two audit firms over a period of 12 days. The interviews were conducted in Arabic (with a mix of English), each lasting between 45 minutes to two hours, and were tape-recorded. Interviewees were asked to relate their views on the issues, provide explanations, and give examples, with minimal intervention from the interviewer, so that the interviewees were able to express their own inner thoughts in their own words regarding the notion of auditor independence, i.e. how they socially construct the meaning of AI in everyday life. Interviewees were then asked questions related to the wider contextual ideas of political and socio-economic independence and societal values. The interview tapes were transcribed in Arabic as soon as possible after the interview while the conversation was still fresh in the mind of the researcher. The transcripts were then translated into English (on average, 15-20 pages and 4,000-8,000 words). In transcribing and translating the Arabic text, an attempt was made to keep to the style of the rhetoric, thus showing all imprecision, ambiguities and inconsistencies, and also not to impose any interpretation of the texts at this stage.

Participant observation is a vital tool in studying the social world (Atkinson and Hammersley, 1994), especially in interpreting the subjective meanings of language, behaviour and interactions of various groups in a particular society. Hence, participant observation is directly applied in this study by observing and writing notes of the formal and informal social interactions that took place including having many conversations with various individuals in the two audit firms. The researcher observed and interacted with practitioners at each audit firm, both on-site (especially during working hours and meal and prayer breaks) and off-site (during the engagement visits), and noted the levels of social interactions, joint actions taken and degree of power distance between members in the team. The general ambiance in the organisation and the ways members interact and present themselves to others outside the organisation, were also noted. The 12 days of observations produced 30 pages of typewritten notes, mainly describing how independence was deciphered in everyday life, with some anecdotes and quotations.

**Data analysis**

Since we are interested in interpreting the various patterns of meaning of independence in a wider context, we used discourse analysis[9] as the mode in analysing the transcribed texts, observation notes and documents. In interpreting the data, it is helpful if the researcher has an understanding of the local “culture”[10] to make sense of the repertoire of information collected. One of the researchers has lived and worked as an
auditor in the social environment, and this provided him with huge advantages in participating and observing the phenomenon as a member of that society as well as a professional group[11]. The “closeness and distance with the respondents both emphatically and intellectually” helped the researcher to interpret the patterns of meanings both as an “insider” and an “outsider”, thus reducing personal bias (Smircich, 1983; Alvesson, 2002). Figure 2 presents a summary of the data analysis process.

We first read the interview transcripts to get the overall impression and bridged it with the contextual data. We then scanned the transcripts to identify, code and categorise the data to get a general pattern of the respondents’ perceptions on various implication issues. We gave every category and dimension numeric codes like 1.1, 3.4, etc. We next compiled sets of text units for each construct by distinguishing and codifying the text units from every transcript. We also included qualitative labels for the analysis such as “strong-weak”, “high-low”, “satisfied-frustrated”, “hopeful-pessimistic,” etc. Once coding was completed, common themes were then

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**Research question:**
How do auditors socially construct the meanings of auditor independence?

- Translate interview transcripts, observation notes and documents (prepare for analysis)
- Read interview transcripts and bridge with contextual data (observation notes and documents)
- Scan transcripts to identify, code and categorise interactive themes, categories and dimensions from the text materials
- Code text units and compile sets of interpretive accounts for each category and dimension
- Extract core summary based on reading of interpretive accounts
- Reflect for cross-validation
- Interpret the meanings based on context

**Figure 2.**
Data analysis process

*Exploring auditor independence*
drawn and meanings given to the selected texts, based on local context and cognitive maps of shared understandings. We then extracted core summaries based on readings of the interpretive accounts. We further reflected upon these accounts for cross-validity (Alvesson and Skoldberg, 2000). Through the reflexive process, the data were substantially reduced for analysis.

From the coded texts and analysis of keywords in context (Berelson, 1952; Gottschalk and Gleser, 1969), we identified two dimensions of auditor independence (independence in fact and independence in appearance). In interpreting the patterns of meanings from a wide spectrum of reference points, we tried to incorporate the local insights of environmental elements to map what auditor independence means in this part of the world. From the analysis, we identified four dimensions of the general notion of independence (political-ideological independence, legal or de jure independence, business and economic independence, religious independence and social independence). Table II presents a summary of our analysis and the constructs, themes and dimensions of independence.

**Discussion**

**Macro or country constructs of AI**

The political and socio-economic life in Saudi Arabia was transmuted following one major historical event – the discovery of oil, and consequently, development of close ties with Western nations and the global capitalist system. The soar in oil price in the 1970s saw the demise of the Islamic political principle of *shura* (consultation) and the imposition of the new “*bin-Saud ideology*” on its people. To maintain its status quo, the ruling family undertook measures that included controlling freedom of expression, nationalising the media, and resettling of the different tribes in specific regions. The ruling family also consolidated its power by ensuring that all key ministries are administered by their family members, with others being held by members of different tribes selected by the King, and more recently, influential families (the bourgeois class). The dominance of the “*bin-Saud ideology*” is also reflected in the way the geographical landscape (Saudi Arabia) and its people (Saudis) are addressed, implying that everything belongs to the ruling family, the Bin-Saud. People owe duties to the ruling family and the various forms of rights are granted only when the ruling family sees fit to do so. In such an authoritarian regime, the rest of society is expected to succumb without resistance to its “official” set of justifications, meanings and symbols, and there is less freedom to express thoughts and views and to take necessary action (Pennock and Smith, 1965).

From our analysis, we detected two different views regarding how the lack of political and ideological independence affects the construction of the meaning of AI. For instance, some respondents define independence simply as a technical term that is not influenced by the surrounding environment and one has to adapt to the autocratic milieu and maximise benefits from it as expressed by the following respondent:

> Listen, politics has nothing to do with our work. We are here to provide our expertise that will help the clients and the government and I cannot see how my independence will be affected. As long as everybody is happy, we should not care much about this idea of independence [agitated].

In contrast, some respondents still believe the notion of independence to be very much impacted by politics and mentioned how SOCPA, unlike the professional bodies in
<table>
<thead>
<tr>
<th>Constructs</th>
<th>Themes</th>
<th>AI dimension</th>
<th>Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Micro or personal constructs</strong></td>
<td><em>Ethical reasoning</em></td>
<td>Independence in fact</td>
<td>Self, interpretation of rules, profit, money, finance, wealth, comfortable, etc.</td>
</tr>
<tr>
<td></td>
<td>Teleological/consequentialism (consider consequences over fairness and rights)</td>
<td></td>
<td><em>Allah (God), Shari’ah (Islamic teachings), akhirah (hereafter), ethics, morality, trust, honest, principle-based, etc.</em></td>
</tr>
<tr>
<td></td>
<td>Religious and deontological (appeal to fairness and rights over consequences)</td>
<td></td>
<td><em>Receivership, inheritance, trust, honesty, competence, objective</em></td>
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<td></td>
<td>Auditor reputation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Meso or organisational constructs</strong></td>
<td><em>Organisational culture</em></td>
<td>Independence in appearance</td>
<td>Non-audit services, tax services, book-keeping services, Work protocols, competence, professionalism, audit quality, firm reputation</td>
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<td></td>
<td>Level of commercial activities</td>
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<td></td>
<td>Image management</td>
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<tr>
<td><strong>Macro or country constructs</strong></td>
<td>Political ideology</td>
<td>Political and ideological independence</td>
<td><em>bin Saud, prince, bribery, corruption, Wahhabism (Saudi religious ideology), freedom, Saudisation, sword</em></td>
</tr>
<tr>
<td></td>
<td>Legal system</td>
<td>Independence <em>de jure</em></td>
<td><em>Shari’ah (Islamic teachings), nizam (secular law), justice, powerless judges, ignorant judges, dual system</em></td>
</tr>
<tr>
<td></td>
<td>Economy and business</td>
<td>Business and economic independence</td>
<td>Liberal market, share ownership, dominant managers, stock market, audit market, audit fees tenurity, blood relationship, powerful individuals</td>
</tr>
<tr>
<td></td>
<td>Societal values</td>
<td>Religious independence</td>
<td><em>Islam, islah (reform), thaurah (revolution), Shari’ah</em></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social independence</td>
<td><em>Wassattah (unfair favours), cultural traits, maaleesh (disrespect of time), secretive, collectivism, family</em></td>
</tr>
</tbody>
</table>

*Table II.* Summary of discourse analysis and dimensions of AI.
developed countries which are more independent, influential and powerful, became the tool in helping the government to achieve its political-economic agenda rather than addressing local needs. Hence, they believe in putting pressure for reform as mentioned by one of the respondents:

> Here everything is down to politics and everything is secretive. Even SOCPA [Saudi Organisation of Certified Public Accountant] is not independent ... [of the government] we need reform in the profession and this will not happen without change in the position of the government. Until then, auditor independence will always be a big issue [frustrated].

The ruling family also exerts its power in the judicial and economic spheres of life. Its close ties with western nations and the desire to participate in the global capitalist economy saw an infiltration of western business values into the legal system as well as other socio-economic institutions. The *Shari’ah Islami’iah* (Islamic teachings) that was once the sole source of law governing the economy saw increasing encroachment of secularised (non-religious) laws known as *nizam* (Vogel, 1993)[12] being passed by the King, who also has ultimate power in appointing and expelling the judges. In such an autocratic regime, it is common to find the legal institution being occupied by a small body of persons who dictate policies upon the people, leaving very little room for other groups to engage in the negotiation process, as solutions flow from top to bottom (Pennock and Smith, 1965). It is widely recognised that auditing evolves based on the legal environment within which it operates (Anderson *et al*., 1998), and this affects judges’ assessments on auditor liability, fraud, and auditor independence. From the interviews, we detected some resistance to the mix of religious and non-religious laws including the current auditing code introduced by SOCPA as “it does not reflect our values,” “not suitable for local conditions,” and “does not address our needs.” The resistance to the current auditing code can be further classified into two types:

1. not suitable for local environment as the stock market is less developed, the legal system is weak and lacked independence, and businesses are controlled by “powerful” families; and
2. not reflecting Islamic values despite the state claiming to follow *Shari’ah*[13].

The lack of independence *de jure* also affects the implementation and adherence to rules and regulations related to auditing, and consequently, the construction of the meaning of AI. Since the laws were not constructed out of social negotiation and through joint action due to differential degree of power, they often result in conflicting actions and the current laws do not provide protection for auditors (no liability laws) and the powerful groups in society always win, as mentioned by interviewees:

> The rules here apply only on the weak party and the powerful party always get away as the judge is on their side. So, maintaining independence here is down to your own ethical stand. When the auditor has no ethical value, even if you have 1,000 legislations, you will never be able to control the unethical behaviours. Worse still if you have 1,000 legislations but not implementing them fairly ... [laugh].

In the past, everyone including the government followed the *Shari’ah* in all aspects but now *Shari’ah only* applies to inheritance and marital affairs. Everything is now *halal* [permitted], even if it violates the *Shari’ah*, until a new *nizam* [secular law] is issued. Those with more power can find loopholes to get away with all laws.
The powerful groups in Saudi society refer to particularly the Royal family, their extended families, and to a lesser degree those having close working relationship with them as well as families from certain tribes. These groups owned most of the businesses in Saudi besides state shareholdings. The stock market was introduced to lure the huge sums of petrodollars amassed in Saudi hands to benefit foreign capitalists, as well as a small group of local capitalist élites, rather than the wider society. The close link between the ruling family and this small group creates a network of powerful individuals in society that auditors need to deal with. The business and economic independence enjoyed by the powerful capitalist élites affects the construction of the meaning of AI, as they often put pressure on auditors to act in their interest, thereby disrespecting auditors’ professionalism. The following are examples of quotes related to this aspect:

In our work, we often face dominant figures who want us to do something which is not right. They seriously put us in awkward situation between following their view or our professional duty. When you refuse, they will tell others that we are not a good audit firm and others believe them…they get a one-sided picture of us [frustrated].

Let me tell you this. Many businesses here are owned by a number of wealthy families. If they like you, you will get to audit their multi-companies and if they hate you, you will lose more than just the audit fees! This makes you dependent on them, so to maintain your independence, just eliminate the risk of being directly involved in their businesses [laugh].

To be honest with you, how can you expect me to maintain my independence when I have to deal with powerful clients? If I qualify the audit report, I will not only lose that client but also risk losing my other clients, especially if they are family business. Tell me what I should do?

From the quotes, it can be deduced that the lack of business and economic independence resulting from unequal wealth distribution together with weak legal system, professional body and pressure group to protect the powerless groups in society, often result in exasperating compromises on AI.

Religion and family dominate the life of Saudis. Islam, as a way of life, dictates practically every act and moment in life (Patai, 1952) and recognises man not only as *homo oeconomicus* (economic man), but also *homo ethicus* (ethical man) and *homo religiosus* (religious man). However, there currently exist two groups in society. Wealth and exposure to western values have created an élitist group that is happy to adopt secular lifestyle and abandon Islamic teachings. Incursion of western imperialism and suppression of Islamic cultural identity caused the emergence of a group who would like to see the return of the Islamic state (Islamists); one sub-group of this believe in “revolution” while another sub-group, which is the majority, believe in reforming the status quo. A low degree of harmonisation in the norms and values between and within groups and lack of religious independence affects the construction of the meaning of AI. Our analysis revealed tension between the two groups as the more powerful secular group disregarded the Islamist interpretation of independence in all spheres of life including business and the profession. Furthermore, as mentioned earlier, SOCPA gets full backing from the government and secular group in society to achieve their international political-economic agenda rather than responding to the local needs.

Family is the centre of community in Saudi society (Hamady, 1960). The individual is responsible for the wellbeing of his family, and his behaviour in various life situations is mainly an expression of his family patterns[14]. The less powerful
members of the family often rely on the more powerful ones. *Wasstah* (mediation), i.e. seeking favourable decisions through one of the official's favoured persons, cronyism and nepotism, are normal and dynamic forces in daily activities (Helms, 1981). Such interdependence caused Saudis to get used to being partial and subjective in assigning jobs, distributing wealth and other benefits, and even in making judgements. *Wasstah* and nepotism are virtues in Saudi culture (Kay, 1982), and it is shameful for the individual Saudi to refuse to help when asked. The lack of social independence affects the construction of the meaning of AI, as auditors sometime need to adjust their behaviour to suit others due to family pressure.

In short, the various cultural factors discussed in this section reflect not only the wider notions of independence but also their impact on the construction of the meanings of AI. Through social interactions with elements in their macro environment where differential degree of power in society is large making it difficult to take joint actions to bring about changes, auditors construct their meanings of AI accordingly. Besides social interactions at the macro level, interactions also occur at the organisational level between auditors, and this affects their construction of the meaning of AI, as discussed next.

**Meso or organisational constructs of AI**

When interviewees were asked to define AI, the definition given often relates to the concept of “independence in appearance,” as in the following:

... avoiding situations that would cause others to question the auditor’s state of independence.

The code says that independence is not to have financial interest in the client, not to have blood relationships with clients ... [providing a whole list of safeguards in the ethical code].

From our analysis, organisational culture[15] has an impact on the interviewees’ construction of the meaning of “independence in appearance,” and we identified two themes to have the greatest influence: image management and level of commercial activities. Through organisational social interactions or socialisation, members adopt the values, norms, beliefs, and assumptions that will permit them to participate as effective members of the organisation and to take joint actions to resolve problems. It also implies that members may need to relinquish certain personal attitudes, beliefs, values and behaviours, and be left out of the realm of negotiations due to differential degree of power. A unitary cohesive organisational culture around core moral values may be imposed by some organisations but less so in others. We observed interesting differences between the two audit firms in our study, especially in terms of their “work protocols” in maintaining the image or reputation of being independent in their everyday life.

In Audit Firm 1, the “independence” manual contains all documents (IFAC, AICPA and SOCPA) and internal memos from audit partners providing further explanation or comments. All staff are required to sign a sheet acknowledging that they have seen and are aware of the latest independence issues, and to inform the office regularly of any changes to their independence position with the client or any new situations that may impair the audit team’s independence. The audit partner makes the final decision on any issues brought up by the audit manager, even sometimes on issues that seem trivial. For instance, the researcher was with the audit team at a client's premise and
there was a year-end party. The audit team was invited, as there was plenty of food, and in Saudi culture, it is considered rude to refuse invitations. The audit manager immediately called the audit partner and was told by the partner to establish whether the party was planned before knowing the date of the visit or after, but clearly stated that he would prefer the team not to join the party. The audit team did not attend the party and had lunch elsewhere. The researcher also noticed that the dress code for all staff is the traditional “thoub” (white long dress with head gear), all stationery does not have the company’s name or logo, and none of the staff are allowed to carry business cards. When the researcher asked why such dress code is implemented, the reply was “to reflect our cultural identity and not to appear different from the rest of society.” In short, practitioners in Audit Firm 1 seldom take joint actions in making decisions, differential degree of power is obvious in this firm, and their social interactions is very much influenced by local culture. The audit partners adhere strictly to local values and cannot tolerate even trivial situations that they think may harm their independence image, and this sometimes frustrates some junior staff that have not yet been fully acculturated with the work ethos in the organisation.

On the other hand, in Audit Firm 2, the “independence” manual consists of documents required by IFAC and AICPA, and there was a separate manual labelled “SOCPA”. When the researcher asked one of the staff why the SOCPA’s code of ethics was not included in the independence manual, he remarked:

What is in the SOCPA’s code of ethics can be found in IFAC and AICPA, they are just translation [sarcastic smile].

The researcher noticed that all staff in Audit Firm 2 are in business suits, they are allowed to carry and distribute their business card, and all stationery has the company’s name and logo. Audit managers are encouraged to make suggestions of potential services that can be offered before the audit partners visit the clients. They (audit managers) are given flexibility to assess situations related to independence, and only cases that cannot be resolved will be brought to the attention of audit partners who will assess the situation and often make decisions based on pragmatism. For instance, an audit manager told the researcher of a case where he was asked by an audit client to assess the acquisition value of a company which had used the services of the audit firm, and he was the one who audited the target company. He raised the issue with the audit partner, who then explained the conflict of interest situation to the managers of the two companies. Both managers insisted on the service of the auditor and, eventually, the audit firm provided due diligence service despite the impairment of independence. In general, social interactions in Audit Firm 2 does not adhere strictly to local norms, staff can take joint actions to resolve issues and make decisions, and degree of power distance is less within the organisation. In other words, the approach to image management of independence in appearance in Audit Firm 2 is more accommodating.

Besides differences in image management, the level and variety of commercial activities in the organisation affects the meaning of independence in appearance. Interviewees in both audit firms understand the need to “distance” themselves from situations that may cause others to suspect their objectivity, and some interviewees mentioned that the safeguards in the ethical code serve as a useful checklist in maintaining independence in appearance. However, some interviewees acknowledged
the problems related to the increasing shift from accountancy’s traditional jurisdictions, i.e. financial accounting services and auditing, to consultancy, as explained by one of the audit partners in Audit Firm 2:

Maintaining independence is getting difficult these days; if you offer audit services, you are expected to distance yourself, but if you offer consultancy services, you need to work closely in order to give the best advice. So, you need to trade-off between independence and fees from non-audit services.

In other words, the wider the range of lucrative business activities offered by the audit firm, the more difficult it is for the firm to maintain independence, as remarked by one of the audit partners in Audit Firm 1:

Everyone tries to pinch clients, they charge low audit fees to get higher income from the more lucrative consultancy services, they don’t care about independence, they want to make money . . . *Wallahi* [swearing in God’s name], I’ve seen all their tactics . . . you need to have a strategy to protect your firm’s independence reputation [serious and frustrated].

Although the meaning of independence in appearance is associated with maintaining the organisational independence image, auditors also need to interpret their actions based on their personal values, and this is discussed next.

*Micro or personal constructs of AI*

Self-reflexivity is an important element in enabling individuals, through their social interactions, to interpret language and symbols to build an opinion or perception of a particular concept such as AI. Our analysis suggests that an individual’s self-reflexivity (self-reflection, self-awareness at a moment in time, and communicative flexibility) develops not only through own intuitions, but also through organisational and social configurations. When interviewees were asked what AI means, our analysis of the various responses revealed two important themes associated with the dimension “independence in fact”: ethical reasoning and reputation. We found auditors working in Audit Firm 1 using rhetoric such as follows:

Indipendence in auditing is to work without any pressure from anyone and not to link the quality of your work with the amount of fees. You do your best, because you fear *Allah* [God].

[Independence] is to be *adl* [just] when carrying out your duties . . . not to think of your own interest and to stand firmly against any pressure [recite verse from Qur’an].

It is about being honest with yourself and not afraid to voice your disagreement even if this means losing clients.

The above rhetoric suggests a slight contrast to the Anglo-American meaning of independence as “an attitude of mind”, as they emphasised religious rather than general morality judgment. The meaning of AI for interviewees from this group is commonly expressed using words such as “fear of *Allah*”, “justice”, “honesty”, “firm”, “not afraid of losing clients”, and citing verses from Qur’an and Hadiths (sayings of the prophet Muhammad), etc. The rhetoric seemed to be ingrained in all staff who shared a similar world view with one of the audit partners, who has built a reputation for himself as an “honourable man” with strong religious convictions. Staff expressed contentment of working in the firm because they share a similar worldview with the
founding audit partner and, in fact, is proud to be associated with the audit firm, as expressed by one of the interviewees:

Our audit partner is well known for his reputation as someone trustworthy and he is also aware of *Shari’ah* [Islamic teaching] . . . he is our role model . . . the final goal is to produce quality work and fear *Allah*, not money. *Alhamdulillah* [thank God] our audit firm has succeeded in establishing quality name and I am proud of this. That is why we are asked to handle many receivership and inheritance cases.

In other words, through self-reflexivity, auditors in this firm construct the meaning of independence in fact through collective moral/religious and emotional reasoning, to be in line with the worldview of the audit partners.

On the other hand, those working in Audit Firm 2 relate AI mainly to integrity, competency and efficiency, and often make reference to the “professional code” and “interpretation of situations” when describing AI:

It [AI] is free to give opinion based on what you think is right depending on the situation you faced [pause] and the code of ethics serve as guidance.

[Independence] is to follow the rules in the code.

The above examples suggest two frames of mind exist among auditors in Saudi Arabia: those who use personal judgement in interpreting the code based on their religious conviction or other form of moral principles and those who adhere to what is dictated in the codes (rule-based). Self-reflexivity for most individuals in Audit Firm 1 is based on religious interpretation while those in Audit Firm 2 seemed to be associated more towards adhering to the code and exercising mindfulness of the firm’s interpretations of “ethical and unethical” behaviour. We further understood from some interviewees in Audit Firm 2 that they are expected to consider “consequences” and “potential damages” and to “exercise economic rationality” when making decisions, as mentioned by one of the interviewees:

None of this rule works if it means the firm will be losing money.

We also found individual reputation to be less important than firm’s reputation, and the “self world view” is less significant in Audit Firm 2 compared to Audit Firm 1.

Conclusions

This paper provides insights and interpretations of the meaning of AI in the context of an oil-rich autocratic state with an ideology straddling liberal market capitalism and *Shari’ah*, which has not been explored in previous studies. The insights and interpretations are drawn from document analysis, observations and interviews with auditors at two audit firms, one with international affiliation and the other is local.

Our contextual analysis at the macro or country level indicates the meanings of the concept of AI to a large extent are being associated with the various cultural dimensions. In Saudi Arabia, all affairs are controlled by the ruling family and most of its citizens do not enjoy freedom of expression and their human rights are often violated. Corruption is also high. The lack of political and ideological independence created a culture of fear, frustration and helplessness among its citizens who do not endorse such a regime. In such an environment, professionalism and societal needs are not respected and efforts to change the status quo by the marginalised group in society
are almost impossible. Similarly, lack of legal independence leads some auditors to construe the meaning of AI to be “doing what is considered best for both parties and that it would be foolish not to take advantage of any loopholes in the regulation,” while others still believe in “resisting and putting pressure for reform” to maintain independence and socio-economic justice. The business and economic independence enjoyed by a small group of dominant personalities in society impact on the construction of the meaning of AI, as the individual auditor are often forced to succumb to the pressures and demands of the powerful élitist group to stay in business. Dependence on powerful family conglomerates for business together with weak professional body to support auditors result in some auditors feeling frustrated and helpless unless they have strong willpower and self-control and not afraid of losing potentially lucrative business. Similarly, the lack of religious independence in conducting business activities based on Shari‘ah is frustrating for some auditors. In the same vein, lack of social independence meant auditors need to deal with pressures of wasstah and nepotism in maintaining AI.

At the meso or organisational level, the meaning of independence in appearance is largely influenced by the organisational culture of the audit firm. In one audit firm, we found the organisational culture to be more conservative, with high degree of power distance, and AI is maintained through a cohesive socialisation process around a number of rigid core values, often based on religious convictions. On the other hand, the organisational culture of the second audit firm is more flexible and pragmatic with less degree of power differentiation, and AI is interpreted based on the context of the complexity of the situation often using economic rationality. At the personal level, independence in fact is often related to personal reputation and understanding of the local culture and religious norms rather than the name of the audit firm and general ethics.

Understanding the nature of the broad symbolic realities helps us to understand why there exist some resistance to the Anglo-American concept of AI among some auditors and the need for adaptation of such concept to be in line with religion and needs of wider Saudi society. Table III presents a summary of the differences in Anglo-American and Saudi Arabian context and the effect on the meanings of AI.

From the various interpretations of the construction of the meanings of AI in Saudi Arabia, it can be deduced that the Anglo-American concept of AI is appreciated by local capitalists and their foreign collaborators to maximise their interests. However, it is perceived as undesirable by the majority in society who locate religion as the focal point when performing their duties, including the lived meanings of AI. This created tension between two dominant groups in society – the “Islamists” and the seculars or “liberals”. In short, AI is not merely a technical concept, but also a cultural concept and for it to be effective in the context of Saudi Arabia, the following need to be addressed: freedom of expression, adoption of Islamic ethical values, reflection of societal needs, tackling corruption, having competent judges and having a more independent and influential professional body.

One limitation of our paper is that we focused only in understanding the construction of the meanings of AI based on interactions at the macro, meso and micro levels and did not distinguish how different social, religious, cultural, firm and personal factors affect perceptions of AI when faced with specific situations of conflict. Hence, it would be interesting for future study to explore this aspect.
<table>
<thead>
<tr>
<th>Context</th>
<th>Anglo-American</th>
<th>Saudi Arabia</th>
<th>Effect of Saudi context on AI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political and ideological system</td>
<td>Democratic</td>
<td>Autocratic</td>
<td>Lack of political and ideological independence in the autocratic regime constrains freedom of expression causing individuals to either adapt and serve the interest of powerful group and in the process maximise their benefits, or to resist and put pressure for reform to establish socio-economic justice</td>
</tr>
<tr>
<td>Legal system</td>
<td>Strong and independent</td>
<td>Dual legal system and judges lack of independence and expertise in business affairs</td>
<td>Lack of independence de jure and operations of two conflicting legal rules (selective implementation of Shari'ah and favouring application of Nizam) caused implementation of rules difficult and sometimes unreasonable, as they are not the outcome from negotiations and consultations other then to serve the powerful in society. Auditors are not immune by law if they choose to act beyond what is desired by the ruling family</td>
</tr>
<tr>
<td>Economy, capital market, business environment and status of professional accounting bodies</td>
<td>Capitalist; strong capital market providing protection to shareholders and creditors; strong professional accounting bodies</td>
<td>Oil-based with strong foreign interest; weak capital market providing protection to only a group of capital elitists; weak local professional accounting bodies</td>
<td>Lack of economic independence caused local capitalists and their foreign collaborators to create a network of professionals, including accountants willing to serve their own interests. Weak capital market, dominance of powerful business elites and weak local professional accounting body constrained auditors’ professionalism (e.g. professional judgements, independence) and increased their business and economic dependence on powerful clients</td>
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<thead>
<tr>
<th>Context</th>
<th>Anglo-American</th>
<th>Saudi Arabia</th>
<th>Effect of Saudi context on AI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social structure</td>
<td>Highly individualistic</td>
<td>The ruling family and its cronies represent the imperialist culture (psycho-hedonism doctrine); majority of society are collectivist</td>
<td>Lack of social independence resulting from <em>wasstah</em>, nepotism and cronyism constrained auditors’ professionalism</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>More coercive, less power distance; encourage task independence</td>
<td>Two types: mimetic for firms with international links and coercive and normative isomorphism for local firms</td>
<td>Cultural imperialism influence individuals working in internationally linked firms to mimic their counterparts in operationalising independence in appearance Strong beliefs in local culture and values influence individuals working in local firms to coerce and adhere to local norms in operationalising independence in appearance</td>
</tr>
<tr>
<td>Individual ethical reasoning</td>
<td>Professional ethical standards and accountable to only shareholders</td>
<td>Two types: professional ethical standards and Islamic ethics</td>
<td>Secular individuals adhere to SOCPA’s secular standards, permitting one discourse i.e. state correctness of financial statements to shareholders in operationalising independence in fact Religious individuals adhere more to Islamic ethics when faced with conflicting situations and accountability extended to God and society in operationalising independence in fact</td>
</tr>
</tbody>
</table>
Notes

1. For instance, the founder of Arthur Andersen was known to have gained reputation of trustworthiness by refusing to endorse some companies' distorted financial statements (Squires et al., 2003; Toffler and Reingold, 2003).

2. This is largely attributed to high commercialism activities, especially with regard to the range of management advisory services, including almost any service that could generate revenues (Wyatt, 2004).

3. There has been a shift in focus of research in this area but the positivist approach remained as the dominant research method. In the 1980s and 1990s, the focus was on exploring the perceptions of interested parties on various auditor-client relationships. Following many corporate scandals in late 1990s and early 2000s and lose of confidence in the integrity of auditors, research concentrated on one aspect of auditor-client relationship, namely, management advisory services or non-audit services.

4. The Arabian Gulf states refer to Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, Oman and Qatar.

5. The interpretive line of thought is also known as the Kantian/Fichtean approach (Laughlin, 1995).

6. According to the 2007 Corruption Index, Saudi Arabia was ranked at 79th place, followed by Kuwait (60), Oman (53), Bahrain (46), UAE (34) and Qatar (32) (www.infoplease.com/ipa/A0781359.html).

7. Symbolic interactionism consists of three approaches: Goffman (Dramaturgical), Kuhn (Iowa School) and Blumer (Chicago School). The dramaturgical approach narrowly focuses on human behaviour and ignores other wider factors that may affect their lives. The Iowa School is attracted by positivist research methods and tend to operationalise human behaviour. The Chicago School pays more attention on how meanings are constructed based on interactions between people and their environment.

8. We are grateful to these two large audit firms that gave one of the researchers the opportunity to conduct the research.

9. Discourse analysis is viewed as “a system of texts that brings objects into being” (Hardy, 2001, p. 26).

10. The concept of culture for the purpose of this paper refers to social, political and other factors that influence individuals’ behaviour.

11. CSSI sceptics often question the reliability in the interpretation of meanings by the interactionist i.e. emic or etic. One of the authors was born in that culture and worked as an auditor for several years before moving to Britain ten years ago. This facilitates better understanding of the pattern of meanings, as the researcher is “both emphatically and intellectually distant from and close to the subject” (Alvesson, 2002, p. 131).

12. According to Vogel (1993), the Shari’ah judiciary code is based on microcosmic interpretation (i.e. appraising the case against the divine command of revealed texts), while the commercial law is substantially based on macrocosmic interpretation (i.e. sanctions not of individual conscience but of a world-existing institution or collectivity, such as in judicial precedent or a jury as commonly found in the West).

13. Those who hold this view based their argument on the Quranic verse: “If any do fail to judge by what Allah hath revealed, they are wrong-doers” (Al-Ma’ida, 5:45)

14. Lipsky (1959, p. 45) succinctly describes the typical Saudi Arabian family as follows: “All social relations in Saudi Arabia are indirectly if not directly tied to family considerations and the family is the fundamental and essential repository of every individual’s personal identity... In practice, family obligations take the precedence over all others.”
15. Organisational culture has been recognised as one of the determinants of how people behave, more or less ethically, in an organisation (Sinclair, 1993).

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Cushing, B.E. and Loebbecke, J.K. (1986), Comparison of Audit Methodologies of Large Accounting Firms, American Accounting Association, Saratosa, FL.


Further reading

Appendix. Interview guide

*Personal background*
Age, qualification, nationality, experience, position.

*General issues*
- Description of the concept of AI.
- Importance of AI.
- Specific examples where there may have been problems with AI?

*AI issues: auditor-client relationship*
- Effect of expressing a qualified opinion.
- Client’s understanding of AI.
- Importance to client for auditors to be independent.

*AI issues: regulations*
General attitude towards regulations/professional guidelines:
- awareness of auditing standards and ethical code;
- compliance and satisfaction of current auditing standards;
- feelings on current ethical code;
adherence to ethical codes; and
particular areas of concern.

**AI issues: personal independence**
- level of professionalism and competence;
- personal vs societal interest; and
- religious/moral vs. economic rationality, etc.

**AI issues: political, socioeconomic and cultural values**
Impact of political ideology and legal system on AI:
- meaning of being a Saudi; and
- functioning of legal system, etc.

Impact of socioeconomic institution on AI:
- characteristics of business environment;
- change in economic ideology; and
- regulatory bodies, etc.

Impact of societal values on AI:
- power distance; and
- collectivism, etc.

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