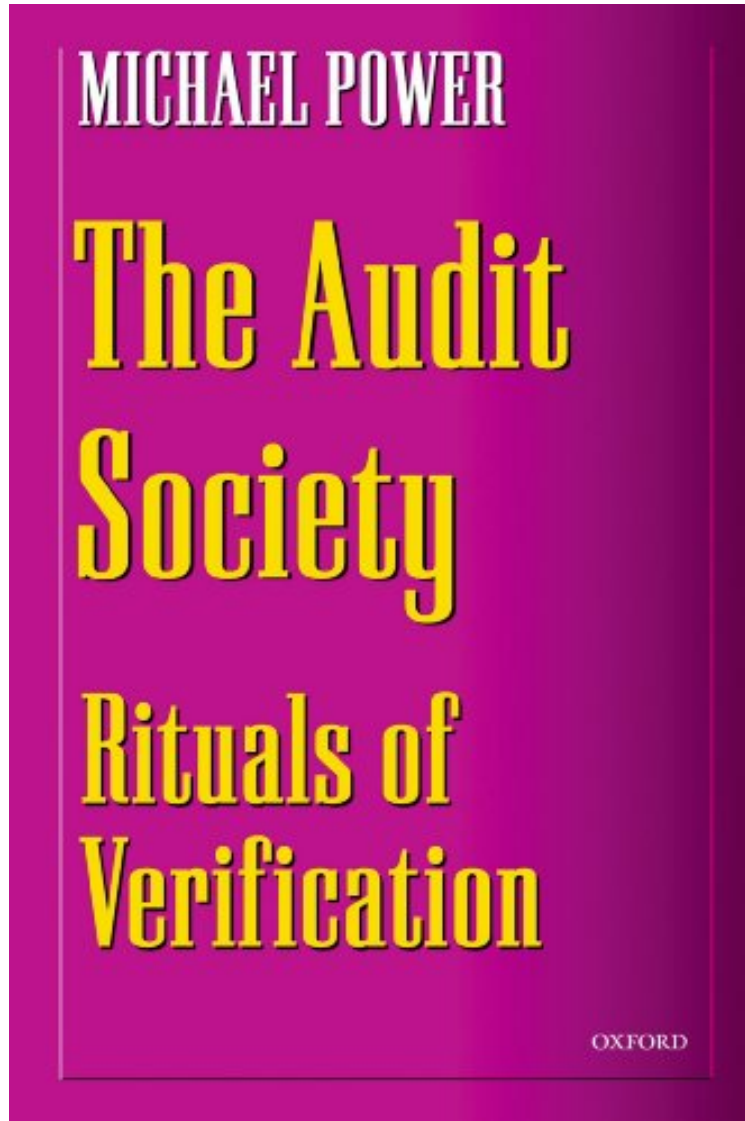


The Audit Society: Rituals of Verification

Michael Power

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Michael Power : The Audit Society: Rituals of Verification before purchasing it in order to gage whether or not it would be worth my time, and all praised The Audit Society: Rituals of Verification:

1 of 1 people found the following review helpful. Chains of Unjustified AssuranceBy Dr. Peter DaviesEvery so often you find a book that explains at a deep level how you have come to find yourself in a particular situation. Such books are like an intellectual archeology of our epistemology. This book is one of those.For me as a doctor there are a few such books, particularly The Future General Practitioner which although forty years old when I read it had clearly anticipated every key theme I have been taught about and discussed and debated and learned from during my career. I realised all my thinking had been done within frames of reference contained in its pages. My career had a hidden set of

frames of reference, which went without saying- and which were so much more powerful for going unsaid. Most of my colleagues just take these themes for granted, but when you can see where they come from you realise they are debatable constructs, just like any other set of ideas. The ideas needed for the counter, or new, narrative begin to form. Michael Power's book on audit did a similar role for my understanding of the predicament of my profession- which it turns out is very similar in structure to that faced by accountants and other professionals. In medicine we have been exhorted to be *The Reflective Practitioner: How Professionals Think in Action* (Arena) and have been asked to demonstrate at intervals our own personal competence by means of Revalidation- (see *How to Get Through Revalidation: Making the process easy particularly if you are a doctor facing that process.*) As a doctor I have been a bit fed up of the audit processes and had some fun (with Dr Adrian Kenny who introduced me to this book) spoofing it up as Probophilia- the pathological love of proof (Essay on Civitas website as a pdf or in my book, *Between Health and Illness: Explorations in and around medicine*. In short I have not always valued the intrusion of audit into my activity. This book explains what is driving the Audit Society. It is a mixture of fear, anxiety, and events. As it says on p138 "The mission of sustaining systemic control must continually be reaffirmed and reconstituted in the face of events which threaten its credibility." The focus in the book is on systems and how they are controlled, and asking the question about whether audit does actually put us in control, or is simply good at giving us a comforting illusion of control. "Audit cannot be permitted to fail systemically and must be immunised from radical doubt; if audit is to function credibly in the processing of risk then trust in audit must be constantly affirmed and supported." As humans we should be careful what we wish for. We may not be entitled to that much comfort and assurance. When a bad event happens we often run around looking for reassurance and improved processes and communications. These are acceptable actions until the next time...and there always will be a next time for reasons which James Reason explains with tact and understanding in *The Human Contribution: Unsafe Acts, Accidents and Heroic Recoveries* and through dynamics which Bardach and Kagan describe well in *Going by the Book: The Problem of Regulatory Unreasonableness*. It goes back to the human need for reassurance and the fact that reassurance is not usually reassuring. As the classic Snoopy cartoon put it: -Charlie Brown "I'm here to reassure you that everything is all right." Snoopy thinks, "I was afraid of that." "Something must be done" is so often the route by which the man from the government gets to turn up on your doorstep, or into your place of work, and say those scary words, "I'm from the government and I'm here to help." In medicine we have two good ways of defusing this sort of demand- the great Hippocratic injunction to "First, do no harm" and overreaction of any sort is a harm waiting to happen, and secondly the art of doing as much nothing as possible. As one of the surgeons who taught me put it, "It is terribly important to appear to be doing something, even when in fact, that something is actually nothing." Our politicians and managers could well incorporate that thinking into their actions, before reaching for the blunt instrument of legislation. If there should be a law against anything it would be to ban the passing of too many laws. Alternatively perhaps two laws should be repealed for each new law passed. Power's book describes well the dynamics that give rise to the Audit Society. He charts their history and justification well, and there is much justification for it. We cannot have no regulation, no inspection, no audit, no quality control. We cannot entirely trust the goodness, good sense, and good practice of each other or of professionals. Most people, especially professionals are mostly internally motivated and driven, but some are not, and to some extent the law tries to regulate people into good behaviour, or create grounds for their exclusion or punishment. In medicine and other professions the debate between those of us who believe intelligent agents act intelligently when they are given the tools of their trade and allowed to get on with it, and those who believe such trust has to be earned, and checked continuously has been raging throughout my career. There is a balance somewhere between trust and checking on individual practitioners. Power charts the evolution and changing of this balance well for his own profession accountancy- but as a doctor I immediately recognised the themes in my own profession. I suspect lawyers and engineers would too. Power goes deeper still into the process of audit, and asks deep questions about what it is, what it measures, and what it actually achieves. Does it actually provide valid reassurance about a company's performance or is it an empty reassurance, or a ritual of verification, that does not actually show very much at all. Have we removed our faith from individuals and corporations and misplaced it in a rather abstract process that cannot actually give us the trust and reassurance we seek? Is our faith in audit in vain? Do we end up generating performance measures that can be audited? Or performance measures that actually measure something about the task at hand? Do professionals generate spurious performance metrics to distract auditors with something measurable but meaningless? If so you can see how easily we get from proper scrutiny and audit into probophilia. (In my darker reflections I sometimes wonder if the power of EXCEL spreadsheets allows measurement and data to be generated without thought and so represent an intellectual step backward for us. The inability of most people to make accurate inferences from data further increases my doubts on this e.g. the need for books such as *Common Errors in Statistics (and How to Avoid Them)*) Power is very good on the unintended effects of audit. For example he gives the example of the Research Assessment Exercise in Universities- and how academics altered their research and teaching activities to meet its demand. It started to drive activity, not measure it. I well remember Prof Chris Dorrick writing his excellent book *Beyond Depression: A new approach to understanding and management* and commenting ruefully that he was glad I liked it...as the University didn't....and it took his attention

off his departments RAE rating! But he had written an excellent synthetic work of the kind only academics who know a field really well can do. Power's section on audit in medicine is very useful (P104) His comment is that performance is an ill defined term, and the hierarchy between efficacy, efficiency and economy is not fully worked out. Hence performance metrics are always contested, and behind each measurements are often hidden presuppositions about value, and about who has authority or power to assign value. There is great summary of the problem of the Audit Society on p123, "The audit society is a society that endangers itself because it invests too heavily in shallow rituals of verification at the expense of other forms of organisational intelligence." Don't you just love being in control? Power is throughout this book suggesting that audit puts us less in control than we like to think, and we may have to be able to live with this uncertainty. The attempt to become assured, and too certain, and too comfortable in this, may actually render us blind to true risks. An example of this is that some social services child protection teams may be rated "excellent" on official inspections, and then have a case of failed procedures and systems land in their area. Power's final chapter on Audit, trust and Risk is excellent. He acknowledges the positive intention of audit- we cannot function without some checking and accounting mechanisms. But he is well aware of their limitations, and their potential for damaging side effects. He's acutely aware that organisations may adapt their activities to meet auditing requirements, rather than whatever and whoever their service needs to be delivered to. In the public sector people often say that we must focus more on the patient/clients/service users, but when you see the background scrutiny work that has to be done, you can see how this can become from direct service processes. As Power says on p143 "At the extreme performance and quality are in danger of being defined largely in terms of conformity to such process." Audit and assurance needs to be proportionate to activity and its risks, not the driver of the activity. Power concludes this book with a memorable paragraph which I quote, "Auditing operationalizes a balance of liberty and discipline which is not shaped simply by objective economic necessity or common sense. Rather, even in its most mundane techniques, it reflects a complex and not always consistent constellation of social attitudes to risk, trust and accountability. The motif of the audit society reflects a tendency for audit to become a leading bearer of legitimacy and this must be so because other sources of legitimacy such as community and state are declining in influence. So the audit society is a symptom of the times, coincidentally a fin de siecle, in which a gulf has opened up between poorly rewarded doing and highly rewarded observing. In this book I have tried to create some understanding and a little discomfort about this growing industry of comfort production." I think Power's book was relevant when first written, and is just as relevant now. For those of us who are in regulated professions it will show you where these ideas have come from, and where they are going. This book raises significant questions about what we are really asking for when we seek assurance, and about whether we should really be seeking it at all. It is not the easiest reading as it packs a lot of content into a small number of pages. The effort of reading it is worthwhile, and readers will come away with a far better understanding of the problem, its development, and how we can in future mitigate its excesses. Highly recommended. 2 of 2 people found the following review helpful. Thoughtful analysis of audits and accountability By Rolf Dobelli Why are individuals willing to live in an "audit society" where almost everything is checked? Perhaps they accept such monitoring because few folks would want to live under the opposite conditions, where nothing is checked. People want to know that their planes can fly, their banks won't fail and their food is safe. Thus, auditing has become ubiquitous - but does it exist only for its own sake, or does it have intrinsic value? Does it help, hurt or control society? In this reprint of his original 1997 work, accounting lecturer Michael Power explains how auditing has come to permeate the social, political, corporate and economic worlds. His short text is often a hard, dense read, but he'll broaden your understanding of auditing beyond the numbers in a ledger: Auditing, he teaches, underpins many facets of society and involves crucial questions of trust. getAbstract believes accountants, auditors and those who hire them will find this work particularly relevant, but those seeking deeper knowledge of professional practices and of how society works also will be intrigued. 3 of 3 people found the following review helpful. Analysis of the Scope of Auditing and Effects Of Its Practice By JSC Siow A closely considered analysis of what auditing is as an activity, its change over time, actual practice, implications on society, professional practices and human expectations. Highly recommended for the self-reflexive insights and immensely relevant to any area of professional practice, not just CPAs or auditing/accounting folks.

Since the early 1980s there has been an explosion of auditing activity in the United Kingdom and North America. In addition to financial audits there are now medical audits, technology audits, value for money audits, environmental audits, quality audits, teaching audits, and many others. Why has this happened? What does it mean when a society invests so heavily in an industry of checking and when more and more individuals find themselves subject to formal scrutiny? The Audit Society argues that the rise of auditing has its roots in political demands for accountability and control. At the heart of a new administrative style internal control systems have begun to play an important public role and individual and organizational performance has been increasingly formalized and made auditable. Michael Power argues that the new demands and expectations of audits live uneasily with their operational capabilities. Not only is the manner in which they produce assurance and accountability open to question but also, by imposing their own values, audits often have unintended and dysfunctional consequences for the audited organization.

"Michael Power's *The Audit Society* is an intriguing exploration of the dynamics of public control over business through one particular instrument of regulation, auditing. ... All in all, Power's account is thought-provoking"--
Comparative Politics
About the Author
Michael Power is Professor of Accounting at the LSE, and has been a Lecturer in Accounting and Finance there since 1987. He has also worked as a financial auditor with Deloitte Haskins and Sells where he qualified as a chartered accountant and is a member of the Institute of Chartered Accountants in England and Wales. He has also been a fellow of the Wissenschaftskolleg zu Berlin. In 1989 he was made an associate member of the United Kingdom Institute of Taxation and, from 1990, an associate scholar of the European Institute of Advanced Studies in Management, Brussels.