Mechanisms of accountability: The case of an external financial reporting regulatory body in South Africa

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Acknowledgements

The authors would like to thank the Sellschope Foundation for partial funding of this research project. Special thanks go to the respondents for sharing their views on the functioning of the FRIP. A huge thank you goes to Lelys Maddock for her editing skills,

Abstract

Purpose: The research uses South Africa's Financial Reporting Investigations Panel (FRIP) to illustrate how an independent financial reporting monitoring and review body functions as a mechanism of accountability and, as a result, is able to enhance confidence in the local capital market. South Africa is specifically chosen due to its well-established corporate reporting and governance systems which offer a mature case for generating findings which should be broadly applicable in other settings.

Design/methodology/approach: Detailed interviews with a sample of preparers, auditors and regulators are used to illuminate the functioning of isomorphic pressures in a financial reporting setting.

Findings Using the model advanced by DiMaggio and Powell (1983), the research finds that the FRIP acts as a significant source of coercive, normative and mimetic isomorphic pressure. The possible effects of the review process are relevant, not only for companies, but also for the individual accountants responsible for the respective financial statements and their auditors.

Research limitations/implications: There is a strong case for the establishment of intendent monitoring and review oversight bodies in response to corporate failures and crises of trust. These institutions contribute significantly to confidence in the capital market by demonstrating that reporting prescriptions and systems of governance can be enforced and, as a result, are more than just symbolic.

Originality/value: This study makes an important contribution by providing a detailed account of precisely *how* the activities of independent/regulatory review bodies achieve a sense of accountability and drive higher levels of financial reporting quality, something which has been overlooked by mainstream accounting research.

Key words: Financial Reporting Investigations Panel; financial reporting; isomorphism; legitimacy; regulation; South Africa

1. Introduction

A large body of research examines the proliferation of global regulation of the accounting and audit profession and how this claims to serve the public interest (for example, see Malsch and Gendron, 2011; Gillis et al, 2014; Samsonova-Taddei and Humphrey, 2015). For example, numerous academic papers, often relying on different methods of inferential analysis, debate the effect of external regulatory measures on improving audit quality (see Francis, 2004; Carcello et al, 2011; DeFond and Lennox, 2011). The aim is to demonstrate a positive relationship between the enactment of new laws and prescriptions and different audit quality surrogates to explain (albeit indirectly) how external regulation substitutes for automatic trust in this part of the capital market system (Black, 2008; Malsch and Gendron, 2011).

Less studied are the implications of these regulations for the preparation of the financial statements on which auditors are expressing their opinions. As with the audit report itself (Unerman and O'Dwyer, 2004), the confidence placed by non-experts in the utility of financial statements must be predicated on the good faith assumption that these have been prepared by qualified experts according to generally accepted prescriptions which provide relevant and reliable information to users (see Unerman and O'Dwyer, 2004; Cooper and Robson, 2006). This goes hand-in-hand with the proliferation of internal controls, the operation of internal and external audit and advancement of codes of corporate governance to re-assure stakeholders that the financial statements have been prepared with due care and skill.

Business failures, financial crises and the inherent limitations of financial reporting, however, mean that these checks and balances are insufficient to maintain the confidence of non-experts in the functioning of the financial reporting system: they must be complemented by external regulation to address past failures and provide additional monitoring and review to prevent their reoccurrence (Zeff, 2003; Black, 2008; Malsch and Gendron, 2011; Tremblay and Gendron, 2011). The functioning of the Public Company Accounting Oversight Board (PCAOB) and Securities Exchange Commission (SEC) in the U.S.A, the Financial Reporting Council (FRC) in the U.K. and the Financial Reporting Investigations Panel (FRIP) in South Africa serve as examples.

The FRC, for instance, seeks to ensure that ‘capital markets benefit from timely and relevant information about company performance and board behaviour’. This is not only achieved by regulating audit conduct but by active participation in the development of accounting standards and a review of financial statement quality on a reactive basis (Hines et al, 2001; FRC, 2015). Similarly, the SEC – in conjunction with the PCAOB and Financial Accounting Standards Board – is responsible for the development of high quality financial reporting and auditing prescriptions and review of corporate reporting quality to ensure that '… investors are furnished with the information necessary for informed investment decisions' (Hines et al, 2001; SEC, 2015). Finally, in South Africa, the FRIP – although not tasked with the statutory responsibility of regulating the accounting and auditing profession – operates a proactive monitoring and review function which investigates and advises the local securities exchange on non-compliance with financial reporting requirements (South African Institute of Chartered Accountants [SAICA], 2015).

While the implications of certain of these external regulatory bodies have been examined to some extent (for examples, see Vakkur et al, 2010; Bronson et al, 2011), particularly in the U.S.A, exactly *how* different 'elements' of regulation work on individual preparers and auditors is not dealt with (Cooper and Robson, 2006). Instead, operationalisation of accounting regulation is frequently treated as 'black box' by mainstream accounting researchers preoccupied with financial reporting as a rational technical process which can be evaluated with remote inferential testing (Rodrigues and Craig, 2007; Broadbent and Unerman, 2011; Mennicken and Miller, 2012; Maroun and van Zijl, 2015). This means that the precise means by which financial reporting standards and their enforcement by independent regulators achieve a sense of accountability and enhance confidence in the capital market remain poorly understood.

As a result, this paper draws on Di Maggio and Powell's (1983) model of isomorphic behaviour and the experiences of individual accountants, auditors and regulators to highlight the disciplinary effect of independent monitoring or review systems. It focuses specifically on the functioning of the FRIP in the South African capital market. This is because South Africa has mature system of corporate governance and relies on statute, codes of best practice and independent monitors to regulate the accounting and auditing profession (Rossouw et al, 2002; Solomon, 2010; Maroun et al, 2014). As such, the jurisdiction offers a well-established case for explaining how the activities of an independent review body can achieve a sense of discipline and accountability which should be broadly applicable in other contexts.

In doing so, the research address the need for more studies which engage practitioners to reveal the operation of mechanisms of accountability in a professional space (Hopwood, 1987; Tremblay and Gendron, 2011). It answers Cooper and Robson's (2006) call for more fieldwork-inspired research on how regulation is interpreted and acted upon by the subjects of regulation while contributing to the limited body of interpretive corporate governance research, especially based in an African setting (Brennan and Solomon, 2008; Maroun and Jonker, 2014). Finally, the research should be of interest to policy-makers and regulators as it provides evidence in support of the need for independent review functions and confirms the important role played by regulation in the capital market.

The remainder of this paper is structured as follows: Section 2 discusses institutional isomorphism and explains the operation of coercive, normative and mimetic isomorphic pressures in modern institutional settings, including the functioning of the FRIP. Section 3 explains the chosen method. Findings are discussed in Section 4 and Section 5 concludes.

2. Literature review

2.1: Financial statements as a mechanism of accountability

The accounting information produced by organisation has been "…institutionalised as the most important, authoritative and telling means whereby activity is made visible…" (Roberts, 1991, p. 359). Over time, financial reporting standards have developed into the very discourse used to describe what constitutes useful information and have become the benchmark against which financial information is evaluated (Rodrigues and Craig, 2007). Similar to the role of budgeting and standard costing (Hopper and Macintosh, 1993; Cowton and Dopson, 2002), formal accounting standards provide the basis or norm for evaluating the financial position and performance of the reporting entity. In doing so, they offer a framework for evaluating these economic dimensions and holding those charged with the organisation's governance accountable (consider Hopwood, 1987; Ravenscroft and Williams, 2009).

For the mechanisms of accountability to function effectively, a sense of legitimacy is required such that for technologies of accountability to promote conformance or change, they themselves must be accepted as legitimate (Roberts, 1991). In this context, generally accepted accounting practice has been codified by the International Accounting Standards Board (IASB). International Financial Reporting Standards (IFRS) have become a repository of technical expertise and knowledge (Rodrigues and Craig, 2007; Ravenscroft and Williams, 2009) and an important source of pragmatic and cognitive legitimacy (Maroun and van Zijl, 2015). The proliferation of IFRS in multiple jurisdictions has added to its accepted status as a legitimate basis for the preparation of general purpose financial statements (Rodrigues and Craig, 2007). Consequently, compliance with IFRS becomes an important means of demonstrating how an organisation has adopted best reporting practice in the interests of its stakeholders and becomes an important source of organisational legitimacy (Rodrigues and Craig, 2007).

In turn, the generally accepted application of IFRS, coupled with its potential to construct fields of economic visibility, means that the accounting system acts as an important mechanism of accountability (Mennicken and Miller, 2012; Maroun and van Zijl, 2015). With the “accounting craft” (Hopwood, 1987) prescribed by IFRS readily accepted as a genuine part of the capital market paradigm, its legitimacy give rise to normative, mimetic and coercive pressures to comply with the accounting standards. Before exploring this in more detail, each of these elements of DiMaggio and Powell’s (1983) model of isomorphism is discussed briefly.

2.2 Isomorphism

“Isomorphism” – which has been co-opted from natural sciences to describe a process of homogenisation - is synonymous with ‘compliance’ and ‘convergence’ (Rodrigues and Craig, 2007). “It can also be understood as a process of socialisation in terms of which aspects of everyday life are codified, formalised and institutionalised, ensuring their general acceptance and rendering alternate practices unimaginable” (Meyer and Rowan, 1977). DiMaggio and Powell (1983) Identify three “sources” of isomorphic pressure: normative, mimetic and coercive.

Coercive isomorphism

Coercive isomorphism is the product of external forces exerted on the organisation by a party in a position of relative power and authority and is the result of both formal and informal pressures (DiMaggio and Powell, 1983; Fogarty, 1992). The clearest example of coercive isomorphic pressure is the need to comply with prevailing laws and regulations in order to avoid sanctions (see Meyer and Rowan, 1977; Suchman, 1995). Less explicit but equally relevant is the pressure to appear responsive to stakeholders’ needs, morally responsible and cognisant of social expectations in order ensure legitimacy and, in turn, continued existence (Meyer and Rowan, 1977; Suchman, 1995; Atkins et al, 2015).

Normative isomorphism

As explained by Suchman (1995, p. 589), “organizations often pursue *professionalization*, thereby linking their activities to external definitions of authority and competence”. This is because the cognitive legitimacy which these standards enjoy means that adherence to their prescriptions is the most effective means of conferring credibility on the individual preparer or reporting entity (Fogarty, 1992).

In this context, organisations are quick to comply with codes of best practice and industry norms or to align themselves with the latest professional developments in response to normative isomorphic pressures (DiMaggio and Powell, 1983). This is especially true where the individual responsible for the preparation of corporate reports is ranked according to his perceived standing in closely linked networks of like-minded individuals and against what society defines as ‘competent’ (Roberts, 1991; Fogarty, 1992; Suchman, 1995).

Mimetic isomorphism

Finally, mimetic isomorphism is the process by which organisations mimic or gravitate towards others as a response to uncertainties in their operating environment (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Those organisations which are perceived to address these uncertainties are mimicked by others which seek leverage from this inherent legitimacy. In other words, uncertainty effectively “… compels organizations to seek structuration patterns and actions from other organizations” which are perceived to be the most successful or credible (Freitas and Guimarães, 2007, p. 39). The proliferation of modern organisational structures, including the relevant systems of governance and accountability, serve as examples (Meyer and Rowan, 1977). The ‘mimetic proliferation’ of laws, regulation and external systems of monitoring and review to maintain confidence in capital markets is another (Malsch and Gendron, 2011).

2.3 Isomorphism and the FRIP

Of particular interest for the purpose of this research is that repeated corporate scandals and the on-going financial crisis have highlighted the need for additional laws, regulations and systems of monitoring and review to complement the accounting and auditing profession’s self-regulatory franchise (Brown and Tarca, 2005; Malsch and Gendron, 2011). Several researchers, for example, have quantified the relationship between the introduction of regulations and various audit quality surrogates to confirm how a perceived decline in audit quality is addressed by the promulgation of arms-length regulation (Francis, 2004; Carcello et al, 2011; Maroun and Atkins, 2014a). Similarly, there is a well-established body of research which shows how standard-setters and regulators react to accounting failures by revising existing prescriptions and introducing improved accounting requirements (Shaked and Sutton, 1981; Bengtsson, 2011). For example, the enhanced disclosure provisions in IFRS 7 (IASB, 2014), revisions to consolidation accounting (IASB, 2011a) and efforts to define a basis for determining fair value (IASB, 2011b) have formed part of an improvement project carried out by the IASB in response to shortcomings in existing accounting standards highlighted by the 2007/2008 financial crisis.

In many instances, the 'enclosure' of the professional space, even if this is more symbolic than substantive, reassures stakeholders that confidence in the expert system remains justified (Maroun and Atkins, 2014b). This is not because stakeholders are deliberately misled about the utility of new regulations. Instead, the operation of powerful coercive, normative and mimetic isomorphic pressures to comply with the relevant prescriptions creates a valid expectation of improved levels of corporate reporting quality (ibid). The operation of the FRIP in the South African capital market is used to illustrate this.

The FRIP

Originally, the Johannesburg Stock Exchange (JSE) and SAICA established the GAAP Monitoring Panel (GMP). The purpose of the GMP was to create a platform from which financial reporting standards could be enforced (Mittner, 2002) and to ensure that standards were being adequately applied by the reporting entity (Hogg, 2004). The GMP operated on a reactionary basis in the sense that it investigated and reported on alleged instances of non-compliance with IFRS referred to it by the JSE or other stakeholders.

During 2011, the GMP was renamed the "FRIP", and its charter was updated to modify the panel from a reactive to a proactive one (JSE, 2011a). The FRIP comprises 16 individuals representing "preparers, auditors, academics and users of listed entities' financial statements" (FRIP, 2011, p. 2) to ensure the panel provides an unbiased review process. The fundamental role of the FRIP remains unchanged from the function of the GMP (JSE, 2011b). In the interest of better regulating the market, however, the FRIP operates a pro-active review process. It continues to deal with any queries directed to it by the JSE from either internal or external sources but also oversees the random review of financial statements of all companies listed on the JSE, with each company being reviewed at least once in a five-year period (Bowman Gilfillan Attorneys, 2011).

Indications of isomorphic pressures

Companies are required to comply with global accounting standards, not only on the grounds of rational technical efficiency, but also as a means of conforming with the dominant view of what constitutes 'credible' corporate reporting (Carruthers, 1995). As explained by Rodrigues and Craig (2007),

> "Belief systems (such as belief in IFRS) gain momentum…as more people come to accept, as common knowledge, the particular views associated with that belief system - and as ideas begin to crystallize about what is right, wrong, normal, and deviant" (p. 744).

In other words, the preparation of financial statements in accordance with IFRS becomes an important means of signalling that the organisation prepares high quality financial statements, (in accordance with generally-accepted practices) and is a credible part of the capital market (Maroun and van Zijl, 2015). Conversely, an adverse finding by the FRIP calls the integrity of the organisation's financial reporting into question and, by juxtaposing it with compliant organisations, casts doubt on its ability to internalise accounting prescriptions and produce useful information (cf Rodrigues and Craig, 2007). As explained by Fogarty (1992, p. 196) and Suchman (1995), in an institutionalised reporting setting, mimetic isomorphism necessitates observance of accounting requirements which are widely accepted as legitimate and 'avoiding differentiating censure'.

FRIP reviews can also have serious implications for individual preparers and auditors. In a professionalised environment where the standing of the individual accountant is dependent on technical expertise and compliance with professional standards, a negative finding by the FRIP can undermine claims to professional competency. Coupled with the possibility of legal sanctions (cf Di Maggio and Powell, 1983), the professional consequences of being identified as non-compliant by the FRIP can result in significant coercive and normative pressures to apply strictly the relevant accounting prescriptions (cf Fogarty, 1992).

3. Method

Given a limited body of research dealing with how mechanisms of accountability function in a financial reporting context, this paper uses a qualitative method to address the research question (Brennan and Solomon, 2008). Semi-structured (open-ended) questions were developed by the researcher based on the prior literature dealing with technologies of accountability (examples include Roberts, 1991; Huse, 2005; Solomon, 2010), and professional publications explaining the functioning and role of the FRIP and the proactive review process (examples include Bowman Gilfillan Attorneys, 2011; FRIP, 2011; JSE, 2011b). The questions deal with the importance of accountability for the preparation of high quality financial statements, the review process carried out by the FRIP and its intended or perceived effect (Appendix A).

Questions are non-leading and as broad as possible to allow the themes and concepts of the research question to be explored (Creswell and Clark, 2007; O'Dwyer et al, 2011). To ensure research quality, the final interview agenda was piloted with one accounting academic and one senior audit manager at a ‘Big 4’ audit firm in South Africa.

Although the final sample of interviews was affected by access and availability, the researchers purposefully selected respondents based on their professional experience and direct involvement with FRIP reviews. This introduces the risk of bias but the approach ensures that only those individuals with first-hand experience are engaged in the study and that the findings are detailed and accurate (as per Cohen et al, 2002; Maroun and Solomon, 2013). Sixteen interviews ranging from thirty minutes to one hour were carried out in Johannesburg and Pretoria during 2015. Interviewees included audit professionals (7), members of the panel (3) and preparers (6). (This ensured that the results were not dominated by the perspectives of a particular group of respondents but it should be pointed out that it is not the purpose of this research to differentiate the views of each group of respondents).

Respondents were guaranteed anonymity and informed of the fact that participation in the study is completely voluntary, they may withdraw at any time and all commentary will be treated with the strictest confidence. This was done to ensure that respondents would speak with complete candour (adapted from Alvesson, 2003; Atkins and Maroun, 2015). If the potential interviewee agreed to participate, a time and location was established. The interview agenda (Appendix A) was made available to respondents prior to the commencement of the interview to allow them to familiarise themselves with questions (as suggested by Creswell and Clark, 2007; Leedy and Ormrod, 2010; Rowley, 2012). Due to the open-ended nature of the questions, the risk of ‘rehearsed’ responses was relatively low, even though the interview agenda was provided beforehand (see Holland, 2005; Rowley, 2012).

At the start of each interview the respondent was reminded of the nature and purpose of the research, that there is no ‘correct’ or ‘incorrect’ answers, and that all responses would be treated as strictly confidential. Interviewees were encouraged to talk as widely as possible. At the same time, respondents were asked to explain particular concepts or statements in different words or from a different perspective to address ‘script coherent expressions’ or resolve any ambiguities (Alvesson, 2003). After each interview, audio recordings were transcribed and reviewed by the researchers.

Interview transcripts were analysed using a three-tier approach: data reduction, data display and verification (O'Dwyer et al, 2011). Each transcript was broken down into key points. Notes were contrasted and general themes, categories and interconnections were identified and aggregated using a 'data mind map' (Holland, 1998a; Holland, 1998b; Leedy and Ormrod, 2010). Examples of open codes included: (1) the role of the FRIP, (2) technical accounting issues dealt with by the panel, (3) the outcome of the review processes, (4) the advantages and disadvantages of the FRIP reviews and (5) challenges to the reviews.

To retain the exploratory potential of the study, the open codes were not predefined. Instead, they were interpretively constructed by the researchers, based mainly on the transcript content and, to a lesser extent, the prior literature. The initial coding was a time consuming and subjective process which required transcripts to be analysed several times until each comment/point had been analysed and coded. This was an iterative process where, as additional data was collected and reviewed, transcripts were re-examined until a sense of saturation was obtained. As part of this, the data were also organised under axial codes informed by the prior literature. These included examples of how accountability mechanisms function and, as part of this, evidence of coercive, normative or mimetic isomorphic pressures. The final product was a 'summary table' which effectively allocated transcript content (including notes generated during the open coding) under theme headings which showed the application of different isomorphic pressures (adapted from Broadbent and Unerman, 2011; O'Dwyer et al, 2011; Maroun and Solomon, 2013).

Defining axial codes afforded structure and allowed the study to retain focus. While there was a risk that this approach could have restricted the exploratory potential of the study, this was overcome by reclassifying individual transcripts as new information emerged from either additional interviews or the literature. In addition, the axial codes were revised as needed during the course of the research to accommodate any new or previously unidentified information. In other words, the data analysis process was iterative. Where contradictions or inconsistencies were identified, they were verified during follow-up sessions or in subsequent interviews.

As a final validity safeguard, open and axial coding was completed by the primary researcher. To ensure the completeness and accuracy of this process, the results were re-analysed by the second researcher and draft conclusions (including examples of the coding) were discussed with two colleagues at the researchers' university (adapted from Holland, 2005; Leedy and Ormrod, 2010; O'Dwyer et al, 2011). Before discussing the results, it should be noted that the aim was to obtain a broad understanding of how the FRIP (as an example of an independent monitoring body) operates as a mechanism of accountability. To ensure that the researchers were not limited to the views of a single group of accountants, preparers, auditors and regulators were engaged. Contrasting the views of these different stakeholders is, however, deferred for future research[1].

4. Results

4.1 Coercive isomorphism

Interviewees revealed two sources of coercive isomorphic pressure associated with the functioning of the FRIP: the relevance of laws and regulations and the expectations of important stakeholders.

On the relevance of the Companies Act and JSE listing requirements

The use of IFRS in the preparation of listed companies' financial statements is a requirement of the South African Companies Act No 71 of 2008 (Companies Act, 2008) and of the JSE listing requirements (JSE, 2013). The effect is summarised as follows:

> *If a company doesn't comply with IFRS then they are guilty of non-compliance with the Companies Act and then they are basically breaking the law (Audit Partner).*

Laws and regulations are, in themselves, a source of coercive isomorphic pressure (DiMaggio and Powell). In addition to potentially material financial and criminal sanctions for non-compliance, legislation represents a powerful institutionalised system with which contemporary organisations must comply in order to ensure structural and procedural legitimacy (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Suchman, 1995).

In this context, the FRIP does not enjoy the direct force of law and is not, in itself, the cause of legal coercive isomorphic pressure. Instead it works in conjunction with legislation and with the JSE listing requirements to drive compliance with IFRS. This is not achieved by the FRIP imposing penalties directly but by acting as a technology of accountability in terms of which it is able to rely on its data collection and analysis capabilities to identify poor application of IFRS and to render the individual organisation visible (cf Mennicken and Miller, 2012). Consider the following:

[1] Related to this, the technical nature of the subject under review meant that all respondents are accounting experts. Consequently, the relevance of specific employment or professional contexts for the operation of isomorphic pressures cannot be discerned.

> *The FRIP can't tell you what to do. It does not have statutory powers. But it works like a surveillance system. There is a very formal surveillance structure in place to monitor activities and report suspected non-compliance for further analysis and sanction (Group Accountant)*
>
> *[As a result], companies are starting to realise that somebody is looking at their financial statements and it's somebody they can't bully (Regulator)*

All of our interviewees confirmed that the FRIP is a legitimate part of the local capital market due to its backing by the stock exchange. The technical proficiency of the panel's members, coupled with its independence, means that the body is able to ensure detailed and credible evaluation of compliance with the reporting framework. This "makes it difficult for organisations to disregard the FRIP's findings" (Regulator). Instead,

> "there is somebody with the appropriate skills looking over your shoulder who knows exactly how to interpret the [IFRS] and who, if they say they disagree with you, you can't just ignore…Because the FRIP is working on behalf of the JSE, if they challenge your compliance with IFRS, it has serious implications for whether or not you comply with the [Companies Act] and the [JSE's] listing requirements" (CFO).

A primary objective of the stock exchange is to establish the integrity of the market by ensuring uniform high quality financial reporting (JSE, 2013): non-compliance with IFRS is of particular interest to the JSE (Regulator). The review of financial statements by the FRIP has established a platform with the necessary expertise and technical rigour to ensure compliance. This process allows the JSE to evaluate cases of suspected non-compliance, with the FRIP effectively acting as the mechanism for doing so. Consider the following:

> *[The FRIP] has raised the awareness that it's not a free for all. They [preparers and their organisations] can't do anything they want and that there is this risk of having to restate, which is the worst thing for any company in the world, have to restate accounts, and that created a caution for the companies that are a little*

circumspect in the application of IFRS and liberal interpretation of IFRS (sic) (Financial Accountant)

The risk of restatement causes organisations to consider their application of IFRS more closely. The JSE listing requirements do not give the Exchange the power to instruct a company to restate but the JSE is able to impose sanctions, the most serious of which is the suspension of the organisation's listing.

> *Where they say 'we want you to restate' and the company says 'no', then what can they do, they can suspend them, that's what they can do, it's punishment, so that suspension is a massive thing (Preparer and compliance)*

Respondents pointed out that this was not a hypothetical consequence. As the JSE has previously imposed this penalty, several interviewees felt that the threat of suspended trading, in part a result of poor financial reporting practices, has been clearly established. In addition, the negative consequences of non-compliance are not limited to the company. They extend to the other parties involved in the preparation process:

> *You've got to consider that maybe [the FRIP] reports it to the FSB*[2] *and they follow up…The auditor who signed off - well they get reported to IRBA, and they also get reported to SAICA because they are usually CA's as well, and they may or may not report the IFRS advisor [as well] (Regulator)*

Respondents unanimously agreed that the activities of the FRIP have the potential to result in the individuals responsible for the preparation of non-compliant financial statements, as well as auditors, being held accountable. As with the consequences for the company, the FRIP itself does not hold these individuals responsible for the transgression. By carrying out its reviews, existing laws and regulations can be brought to bear on the individual professional. In other words, the FRIP is not responsible for holding each of the involved parties responsible; it establishes a process through which non-compliance is identified, evaluated and reported to the relevant professional bodies. This possibility of being reported for a negative FRIP finding, and the consequences of related professional disciplinary, civil or criminal sanction, means that the FRIP exerts an indirect form of coercive isomorphic pressure. (The professional ramifications of a FRIP review are discussed in Section 4.2).

[2] The Financial Services Board (FSB) is tasked with the regulation of financial institutions.

The FRIP and compliance with stakeholder requirements

Respondents pointed out that stakeholders are placing great importance on high quality corporate reporting, with the impact of incorrect reporting becoming more severe. Consider, for example, the following comments:

> *If there are accounts that had to be restated, that must mean that the first accounts were not reliable and couldn't be used for their intended purposes, and what does that tell me about management and/or the systems? [It] must put a question mark on the integrity of the data, integrity of the system and/or the way management are reporting it (Group Financial Officer).*

Similarly:

> *Because of all the issues that have arisen due to corporate failures, there is an increased expectation that financial statements will be compliant with IFRS, which would increase the transparency of financial reporting and ensure management are discharging their fiduciary duty. Transparency assists stakeholders in assessing the financial results of the business, how it was managed given all the disclosures in that regard, and whether there has been any reckless trading, because if you have paid yourself a R15 million bonus and the business hasn't done very well, it's an indication of poor overall management and adequate compliance with IFRS allows stakeholders to see this… I think having a policemen [such as the FRIP] there forces people to do what they were supposed to do in the first place, allowing these disclosures to be relied on (Auditor: Associate Director)*

The proliferation of codes of corporate governance, in conjunction with the new, more detailed, financial reporting standards, has resulted in stakeholders expecting higher quality, transparent financial reporting (Solomon, 2010; Maroun and van Zijl, 2015). The non-compliance with the reporting framework not only casts doubt on the integrity of the information and those responsible for its preparation but also on the transparency of the organisation reporting the information (Audit Partner). The functioning of the FRIP cannot, therefore, be interpreted in isolation. The review body is, in essence, a means of operationalising stakeholders' demands for high quality financial statements. Users of the financial statements are given some assurance that technical experts are reviewing the financial statements for compliance with IFRS. Conversely, if the FRIP identifies inappropriate accounting practice, the company is held accountable in terms of the provision of the Companies Act (2008) and Listing Requirements (JSE, 2013). Interviewees pointed out that, although the identity of the organisation is not disclosed, the respective *accounting treatment* is identified as inappropriate to a broader group of stakeholders who, in turn, are able to hold organisations accountable and demand reforms where similar accounting practices occur.

4.2 Normative isomorphic pressures

For many respondents, more relevant than the direct cost of a contravention of statute, listing requirements or contractual provisions are the professional implications of an adverse finding by the FRIP. Interviewees explained how this normative isomorphic pressure has implications for the company, preparers of the financial statements and their auditors.

Consequences for the company

Several respondents explained that a restatement of the financial statements sends an important signal to the market which can have significant implications for the company's reputation (R1; R3; R5; R9). Consider the following:

> *If there are accounts that had to be restated, it's basically a signal to the market telling everyone that you fucked up…For a reputable company that's one of the most embarrassing things that can happen... I mean, every time you tell someone [in the integrated report or at an investor roadshow] about your governance and the oversight and how you value transparent reporting, it all gets questioned (Group Accountant)*

The remaining preparers had similar views. A report by the FRIP calls the integrity of the financial reporting process into question. An error, even if it is isolated, has the potential to cast doubt on the ability or willingness of the company to prepare high quality financial statements. Consider, for example, the following::

> *I think [a negative finding by the FRIP] stigmatises the company because if that [a restatement] could happen, are their controls really that good and then why did it happen? … And if it comes out that you had inadequate controls and policies and procedures and you ended up reporting false information, it will stigmatise the company (Senior Manager).*

Unsurprisingly, several interviewees also pointed out the implications for a company trying to raise additional capital with new investors and creditors.

> *I think it's going to be public knowledge if they put it out on SENS[3] that the company has been forced to withdraw their accounts and restate. The investor has to undoubtedly say: 'Does the Board of Directors tasked with governance of this entity know what the hell they are doing?'… Every investor does not have the opportunity to go to the offices and walk through them and say: 'Are you running a tight ship?'. Here the CEO and the FD, who are paid significant amounts to make sure the numbers they are giving [the investors] are the right numbers, haven't done what they are supposed to. And I am going to base my calculations and decisions [on that incorrect information]! (Preparer and analyst)*

There are a large number of investment options with analysts only able to follow the performance of a select number of companies. Consequently, institutional investors rely on a collection of indicators for quickly categorising the appropriateness of the potential investment. As explained by one expert:

> *A restatement is a negative on the tick boxes of many of the investors. You have thousands of companies to search through and you have a screening so [the question you ask is] has a company had to restate in the past three years? [If the answer is] 'yes', it doesn't matter how big the restatement was, it's off the radar. (Regulator)*

The technical competency of the FRIP, coupled with its significant professional standing, means that it has become an institutionalised part of the capital market system with which organisations must comply in order to secure legitimacy. The converse is also true. As explained by all respondents, the FRIP is regarded as such a respected authority on appropriate financial reporting that a negative report by the body, resulting in restatement, is quickly accepted as an indicator of poor financial reporting practice. Due to the cognitive legitimacy reserve of the FRIP, an investor does not need to carry out a detailed due diligence on the financial reporting practices of a potential investment. A restatement (due to an adverse finding) is sufficient to cast the legitimacy of the organisation into doubt and negate the need for any additional analysis. The effect of a negative signal by the FRIP is also relevant for a company's broader corporate governance.

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[3] The "stock exchange news service" publishes company announcements and price sensitive company releases to the public.

Although not a recurring finding, because the FRIP calls into question the integrity of the financial reporting (Group Accountant; Audit Partner), it has the potential to cast doubt over other systems and processes related to the financial statements. The identity of the company may not be obvious to the public but senior management and committees of the Board of Directors of the affected organisation are aware of the findings, with a number of adverse implications. For example, it may raise questions about the appropriateness of the auditor appointed by the audit committee (see Section 4.2.3) or the underlying internal controls used by the company to safeguard financial resources and ensure the integrity of the financial statements. In turn, this has important implications for the perceived rigour of a company's corporate governance systems.

In other words, the FRIP functions concurrently with other systems of accountability to yield a source of normative isomorphic pressure. As explained by (Suchman, 1995, p. 589) 'organizations often pursue professionalization' in order to 'link their activities to external definitions of authority and competence'. Claims to compliance with the principles in, for example, King-III and the COSO framework, have become an important means of defining how organisations are operated and presented to stakeholders and are a driver of normative isomorphic change (consider: Meyer and Rowan, 1977; Maroun et al, 2014). The FRIP is an integral part of this, either confirming or challenging the extent to which a company has complied with best practice. This is reinforced by similar isomorphic pressures working on the individuals responsible for those financial statements.

Consequences for the preparers

Interviewees pointed out that a preparer is unlikely to face criminal sanctions for non-compliance with IFRS or be the target of civil action by stakeholders. The most important implication of an adverse report by the FRIP is the consequences for the professional reputation of the preparers.

The name of the individual responsible for the preparation of the company's financial statements is required to be published (Companies Act, 2008). In the context of a FRIP review, this means that any adverse finding is quickly linked, not only to the identity of the respective firm but also to the professional competency of the individual accountants tasked with the preparation with the financial statements[4]. In addition, the finding of non-compliance

[4] This is the case, even if restatement does not result because, as explained by respondents, the FRIP findings become common knowledge among senior management, the Board of Directors and the independent committees of the Board

places strain on the employment relationship. A preparer may very well "fall out of favour" (Group Accountant) with his employer and "either lose his job or stunt his professional development" (Regulator). As a result, that the financial statements may be subject to review by the FRIP operates as a subtle (but important) source of normative isomorphic pressure. Consider, for example, the following comment:

> *[Preparers] will always have the* ***possibility*** *of being called by the FRIP at the back of their minds. From experience, people would rather have it right than even a* ***possibility*** *of incorrect or incomplete disclosure by the mere fact that they know there is a* ***possibility*** *that someone out there* ***could be looking*** *at the financial statements (sic) (Financial Accountant).*

Most respondents shared this view. On one level, an *actual* review by the FRIP has a disciplinary effect, resulting in self-regulation and careful reflection on how IFRS is being applied at the respective organisation (Financial Accountant). In this way, the professional implications for the individual accountants (normative isomorphism) work hand-in-hand with sanctions by the JSE and relevant professional bodies for non-compliance (coercive isomorphism). Similar isomorphic pressures are, however, felt even when the preparer was not subject to a FRIP review. Respondents were unanimous that the *potential for review* (and resulting reputational impact) is often sufficient to condition preparers to apply IFRS very conservatively.

As explained in Section 4.2.1, compliance with IFRS is part of a process of signalling an awareness of the need for high quality financial statements and users' expectations for transparent corporate reporting. This is a source of normative isomorphic pressure for companies. By the same token, demonstrating a command of IFRS and a stakeholder-centric reporting model is a defining feature of a competent professional accountant (Fogarty, 1992; Maroun and Zijl, 2015). As a result, the possibility of a review by the FRIP and a negative finding, even if this is not imminent, is often sufficient to encourage preparers to review the application of IFRS to complex transactions, consult with peers, and seek the advice of their auditors.

> *Most of us make sure that standards are being complied with. We consult [with the audit firm's technical department] and make sure that whatever comments come back from the technical department are looked at more closely than they would have been in the past because, in a way, the JSE would be looking as well (CFO)*

FRIP reviews also affect how preparers interact with their auditors when the latter detect errors in the accounting records as part of the audit process. For example, one interviewee, explaining how a company's preparers respond to difference detected during an audit pointed out that:

> *I think that [FRIP reviews] have made people a bit more aware in terms of the questions that could be asked and the level that people do go into when looking at the financials. So, I think that, any issue or debate that would've been an audit difference as a disclosure issue and would've been left unadjusted because it wasn't material is looked at more carefully. If it can be done right, rather do it as opposed to just leaving it, unless it is really impossible. (Audit Partner)*

This comment suggests that preparers rely on materiality to justify not complying precisely with the requirements of IFRS (see Tremblay and Gendron, 2011). FRIP reviews address this method of resisting corporate reporting prescriptions. Most interviewees agreed that the possibility of the FRIP questioning a company's application of IFRS is making preparers less likely to dismiss differences detected by auditors on the grounds that these are immaterial.

Respondents also identified normative isomorphic pressure being exerted on those charged with governance, in particular, organisations' audit committee chairmen. The main reason for this is that communications between then JSE and the company are usually addressed to the chairman of the audit committee (Regulator). This means that the reputational risks for preparers, as discussed earlier, apply equally to the chairs of these committees. That the Companies Act (2008) specifically requires the audit committee to accept responsibility for the preparation of financial statements in compliance with IFRS reinforces this sense of accountability. For example:

> *[The chairman] is a bit more aware in terms of the questions that could be asked [by the FRIP] and the fact that a panel of experts will go through the financial statements in detail (Group Finance Officer)*

The result, according to all interviewees, is that the chairman places additional pressure on both management and the specific individual responsible for the financial statements to ensure they are compliant with the IFRS. In other words, normative isomorphic pressure is reflexive. It not only makes the chairman more aware of his monitoring and quality control responsibilities but also results in his holding the organisation and individual preparers accountable.

In this way, the FRIP is part of a complex system characterised by the concurrent functioning of normative and coercive isomorphic pressure. Its review processes remind individual accountants of the importance of applying the IFRS with due care and skill. At the same time, the professional implications of identified non-compliance promotes more active monitoring and review by those charged with an organisation's governance, something which is a source of normative and coercive isomorphic pressure in its own right. The final result is that the FRIP, even though it does not enjoy the direct force of law, encourages respondents to internalise the importance of high quality financial reporting and to engage in active self-regulation to ensure compliance with IFRS.

Consequences for the auditor

The last decade has seen increased scrutiny of the audit profession by regulators (Malsch and Gendron, 2011). Although the FRIP is not established specifically as an audit regulatory body, its review processes can be viewed in a similar light. According to all respondents, the FRIP can be seen as another body scrutinising the application of IFRS by clients (see also Section 4.2.1) and, indirectly, the rigour of the procedures carried out by auditors to support their opinion that the respective financial statements achieve fair presentation. The effect on the auditor was explained as follows:

> Researcher: *Does the effect of the FRIP review have implications for the auditor when the FRIP criticises the application of IFRS and the auditor has concluded that the financial statements comply in all material respects with IFRS?*
>
> Respondent: *It is very uncomfortable for the auditors, very uncomfortable because not only do they have their own client turn on them, every client blames their auditors because they said the financial statements were okay. That's what happens. So this will definitely sour the relationship with the client… It is also a further matter of discomfort… When there are two audit firms because there is peer pressure… Then there is the third element in that, if there is a restatement, it is an automatic referral to the JSE, SIACA, and the IRBA [Independent Regulatory Board for Auditors] and there will probably be a disciplinary hearing. (Audit Partner: Technical)*

Similar to the discussion in Section 4.2.2, normative isomorphic pressure works on the individual responsible for the audit engagement. A contradiction of the auditor's conclusion by the FRIP calls into question the practitioner's understanding and application of IFRS and the extent to which he has carried out the audit engagement in compliance with the relevant standards. In other words, an adverse FRIP review is an attack on each of the essential elements of professionalization: technical proficiency, due care and skill, and the sound application of professional judgement (Chandler et al, 1993; Maroun and Atkins, 2014b) . Consequently, even though the FRIP does not hold the individual auditor directly responsible, its conclusions 'identify the auditor as possibly lacking' (Senior Manager) and are an important source of normative isomorphic pressure. The possibility of being judged by peers adds to this[5].

As explained by two audit partners, in multi-audit engagements having a professional opinion disputed by the FRIP 'is especially embarrassing' because of peer pressure. To paraphrase Maroun and Atkins (2014b, p. 848), there is a 'strong awareness of reputational risk' which is 'magnified by the fact that non-compliance [with IFRS], if detected, would become common knowledge among the respective partner's peers and subordinates'.

As with preparers, respondents also felt that it was not necessary for the auditor to be involved in an actual FRIP review for this normative pressure to function. Several audit experts explained how, on listed engagements, auditors are aware of the possibility of a FRIP review and are taking this into account when designing their audit procedures and concluding on identified differences[6]. In addition, interviewees commented that FRIP reviews have the potential to erode confidence in the attest function as a whole:

> *If you are saying that you need this [FRIP reviews] over and above what's in the audit opinion, then that causes doubt about the audit opinion (Regulator)*

and

> *If you're saying the FRIP process adds an additional level of confidence, what does it say about your audit process? (Audit partner)*

[5] As discussed in Section 4.2.2, it does not matter that the identity of the company/audit client is not made public. The critical review of the auditor's skills by those *within* the organization is a source of normative isomorphic pressure.

[6] A specific analysis of how auditors are modifying the nature, timing and extent of audit procedures to take into account the increased professional risks associated with a FRIP review is beyond the scope of this research.

If a company's financial statements have been audited and an unqualified audit opinion has been issued on these financial statements, there is a reasonable assumption that the accounts correctly reflect the financial position and performance of the reporting entity in accordance with IFRS. If the stakeholders believe an additional monitoring system is necessary, then there must be doubt regarding whether or not the auditors are able to discharge adequately their duties, leading to 'the opinion of the auditor being second guessed' (Associate Director). In this way, the indirect effect of a FRIP review on the professional standing of the auditor in the eyes of the public and on the confidence that non-experts vest in the attest function is a significant source of normative isomorphic pressure.

The proactive review provided a 'wake up' to the audit profession, specifically the Big Four firms, that 'they are not above the law' (Regulator). This process itself can be seen as a normative force, reminding the firms that they cannot just rely on their relative position in the market. They need to spend sufficient time ensuring their clients' financial statements comply with the reporting framework (Regulator). From a slightly different perspective while auditors are required to be independent (IAASB, 2009), as in any other business, they are economically dependent on their clients. Therefore, FRIP reviews can act as an additional regulatory mechanism which exerts indirect coercive and normative isomorphic pressure to safeguard against threats to independence which might compromise the quality of an audit engagement.

The proceeding discussion should not, however, be interpreted as implying that isomorphic pressures are only functioning on the auditor as an object of regulation. Respondents explained that the proactive review by the FRIP can enhance auditors' ability to hold clients accountable for non-compliance with IFRS. For example the proactive review can be used to convince or persuade clients to adhere to IFRS:

> *For me it makes it easier for the companies I audit to say 'look it's not just me you need to convince, there is another regulatory body that can ask questions', so we need to ensure that our disclosure is correct (Associate Director).*

FRIP reviews may also be useful for managing the tension between economic dependence on a client and the regulatory function carried out by the auditor:

> *It makes the auditors' job easier because they don't have to take up the cudgels against their own clients. They say 'look you could interpret it that way but do you want to take a risk that the FRIP*

will take a different view, and then we have a fight with them, and you may have to restate' (Audit Partner)

In other words, auditors can utilise the consequences of a negative FRIP finding to ensure that their clients are applying IFRS appropriately. This becomes especially useful when the audit client considers the preparation of their financial statements as a 'tick box' exercise and are reluctant to adhere to the spirit of the accounting standards (Group Accountant). In this way, the normative and coercive isomorphic pressures resulting from FRIP reviews function in two ways. Firstly, they work on the individual auditor to ensure compliance with IFRS and are relevant in the context of demonstrating that confidence in the attest function remains valid. Secondly, the potential of the FRIP as a source of isomorphic pressure can be relied upon by the auditor to compel clients to adhere to IFRS.

4.3 Mimetic isomorphic pressures

Although not a common finding, there was some evidence of the functioning of mimetic isomorphic pressure as a result of FRIP reviews. For example, one preparer explained how his team reviews technical reports (published by the JSE) and summarises the main findings resulting from the proactive review process. The purpose was not to identify the offending organisation but to understand how the FRIP is interpreting relevant sections in the IFRS. This has a number of important implications:

Firstly, there is evidence of a type of inverse of mimetic isomorphism at work in that preparers are identifying those practices deemed inappropriate by the FRIP and avoiding them when preparing their financial statements. Consider, for example, the following comment:

> *[Published findings from FRIP reviews] are making the general public more aware of the good stuff and the bad stuff in terms of good financial reporting and bad examples [sic] and making them aware of what they [preparers] should not be doing (Financial Accountant)*

Secondly, preparers and auditors confirmed that they are actively reviewing financial statements. The purpose of these reviews is to ensure that all information required by the IFRS is being included in the financial statements in order to pre-empt interrogation by the FRIP. As explained by most interviewees, this is resulting in additional disclosure by listed companies to ensure that their financial statements are consistent with those of their peers and the requirements of IFRS. Finally, there was some evidence to suggest that the FRIP has been elevated to the position of an interpretation committee, even though this is not part of the FRIP's mandate:

> *I haven't heard of any cases where boundaries are being pushed. There haven't been big public debates or challenges of the FRIP's findings… You will only see the authority they have because people are not pushing the boundaries… People are doing what they are told and if the FRIP decides on something, then that's the way it is. (Audit Partner: Technical)*

As discussed in Section 4.1 and 4.2 the technical standing of the FRIP has resulted in a cognitive legitimacy reserve. All respondents confirmed that the FIRP is constituted by some of the country's leading minds in corporate financial reporting and that this confers significant pragmatic legitimacy. At the same time, a rigorous review process - coupled with a clear mandate from the Stock Exchange - has resulted in procedural legitimacy. This is complemented by structural legitimacy resulting from the fact that the purpose of the FRIP is to drive high quality financial reporting in the interest of the users of financial statements. This means that in South Africa the FRIP is generally accepted as a financial reporting authority capable of providing legitimate interpretations of IFRS. Whether or not this was intended by the JSE is unclear but comments from most preparers and auditors reveal that findings from a FRIP review carry as much weight as official interpretations issued by the standard-setters and, in some cases, are seen as an irrefutable extension of the IFRS's.

5. Conclusion

This paper uses the DiMaggio and Powell (1983) model of isomorphic pressure as a theoretical framework to explain how the functioning of an independent monitoring and review body in South Africa operates as a technology of accountability and drives compliance with IFRS. In particular, the study reveals significant sources of coercive, normative and mimetic isomorphic pressures. These are relevant for organisations themselves, as well as for individual preparers and auditors.

Interviewees explained how, despite the FRIP not enjoying the direct force of law, it provides a means of reviewing financial statements and challenging the application of IFRS by the reporting entity and its preparers. This works in conjunction with company law, listing requirements and societal expectations for high quality corporate reporting to yield an important source of coercive isomorphic pressure. Respondents also pointed to the concurrent functioning of normative isomorphism.

In professional and highly institutionalised reporting environments, FRIP reviews have the potential to cast doubt on the integrity of an organisation's corporate governance systems. A negative finding by the FRIP calls into question the professional competency and due care of the individual accountant and those charged with the entity's governance, effectively tarnishing his professional reputation. This is especially true when the company is required to restate results because non-compliance with IFRS is, indirectly, reported to relevant stakeholders.

The effect of an adverse FRIP review for external auditors should also not be overlooked. Audit firms are heavily dependent on claims to professional expertise and technical competency in order to gain the confidence of non-expert users. Even though the FRIP does not hold the individual auditor accountable for the quality of a client's financial statements, its conclusions can weaken the legitimacy of the attest function.

Finally, although not a recurring finding, some respondents pointed to the FRIP as a source of mimetic isomorphic pressure. This often takes the form of identifying those reporting practices deemed unacceptable by the FRIP and ensuring they are not repeated. Many preparers are also devoting considerable time and effort to ensuring that their financial statements include comparable disclosure to their peers and include all required disclosures prescribed by IFRS. Perhaps the most important finding is the expansion of the FRIP's jurisdiction to include interpretation of IFRS. This is not included in the panel's mandate but the cognitive legitimacy of the FRIP means that its findings are often undisputed and readily accepted as a valid basis for how particular requirements of IFRS must be applied by different sectors.

These findings make a number of important contributions: firstly, they add to the limited body of interpretive corporate governance research in South Africa. Most local corporate governance and accounting research is descriptive and lacks the theoretical analysis necessary for explaining how regulatory bodies are functioning (see Brennan and Solomon, 2008; Maroun and van Zijl, 2015). From a practical perspective, the research offers evidence in support of the JSE's decision to establish a proactive monitoring review. Coercive and normative isomorphic pressure works on individual accountants and auditors and reminds them of the importance of applying IFRS with due care and skill. In this way, the findings suggest that FRIP reviews are an important part of the corporate reporting quality system. At the same time, because these reviews can be used to hold individuals accountable, they assist in preserving confidence in the professional accounting and auditing function, a conclusion which may not be limited to the South African context. This may be especially important given that, in the aftermath of multiple corporate failures, automatic trust in these expert systems can no longer be taken for granted.

Related to this, the research shows how the FRIP provides a practical method of enforcing local listing requirements and company law. By actively reviewing financial statements and interrogating instances of non-compliance, resulting isomorphic pressures are an important means for demonstrating how corporate reporting requirements can be enforced and are, therefore, more than just symbolic. In this way, the findings are on a South African-specific example of an independent monitoring function but the identified interconnection between the review functions of a monitoring body, isomorphic pressure and sense of accountability is broadly applicable for developing capital markets which are dependent on maintaining an image of good governance in order to attract foreign investment.

Additional research will be required to support these assertions. It is recommended that future research engage a broader group of stakeholders to understand better the implications of FRIP reviews. For example, it would be interesting to explore the views of investors, analysts and other regulators to determine more clearly the contribution made by the FRIP. This should go hand-in-hand with additional theoretical development. This paper has offered evidence of the FRIP as a source of coercive, normative and mimetic isomorphic pressure. Future research is needed to explain precisely how these contribute to the development of and confidence placed in the accounting and auditing profession in South Africa. As part of this process, the history of monitoring activity by the South African Stock Market, including how this compares with other leading jurisdictions, should be taken into account.

Appendix 1: Interview agenda

- What is your understanding of the purpose of the FRIP?
- What do you believe the effect of the monitoring has been on the users of the financial statements and the company itself?
- Does review by the FRIP increase the confidence of stakeholders in financial reporting?
- Do you believe the FRIP has resulted in an improvement in the quality of financial statements issued by companies listed on the JSE and why do you feel this way?
- Do you believe the FRIP has adequate authority, autonomy and power to enforce a higher quality of financial reporting? Explain your conclusion.
- Does the FRIP, in your opinion, lead to improved corporate transparency? Why or why not?
- Do you believe the FRIP adds a dimension of legitimacy to the company’s financial statements?
- Why do you think the FRIP uses a five-year rotation period?
- Overall, do you have any recommendations on how to ensure high quality financial reports in South Africa?

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