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## Article

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Journal of Accounting and Management Information Systems (JAMIS)

## Provided in Cooperation with:

The Bucharest University of Economic Studies

*Suggested Citation:* Alkaraan, Fadi; Albahloul, Mohammad; Abdoush, Tony; Elmarzouky, Mahmoud; Gulko, Nadia (2024) : Big Four Rhetorical Strategies: Carillion's Collapse, Journal of Accounting and Management Information Systems (JAMIS), ISSN 2559-6004, Bucharest University of Economic Studies, Bucharest, Vol. 23, Iss. 2, pp. 295-316, <https://doi.org/10.24818/jamis.2024.02001>

This Version is available at:

<https://hdl.handle.net/10419/310892>

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## Big Four ‘rhetorical’ strategies: Carillion’s collapse

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### Abstract

**Research Question:** How have the Big Four accounting firms taken advantage of impression management in reacting/responding to the public scrutiny regarding Carillion plc’s collapse?

**Motivation:** Despite the contribution of previous research through narrative analysis domains, the conceptualisation of narrative practices remains a relatively neglected area in the extant accounting literature. This study attempts to offer insights into this domain of impression management strategies, and to examine the influencing role of external auditors on corporate strategic choices through consultancy and advisory activities.

**Idea:** Our conceptual framework is based on Aristotle’s three pillars of rhetorical proofs: ethos, logos, and pathos. We emphasise repetitive rhetorical slogan strategies embedded in their letters in response to public inquiries. Our discussion of the findings is also based on lenses underlying domains of impression management.

**Data:** Data underpinning this study based on Big Four accounting firms evidence /response to public investigation regarding companies collapses, (dated 2<sup>nd</sup> February 2018) to the public inquires (dated 25<sup>th</sup> January 2018) by the two parliamentary committees regarding the Carillion’ collapse.

**Tools:** The study employs critical discourse analysis of persuasive strategies embedded in their responses to public inquiries regarding the collapse of Carillion plc, one of the top largest construction companies in the UK.

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**Findings:** Findings of our investigation of the Big Four accounting firms' evidence to public scrutiny reveal how Big Four strategically use repetitive rhetoric slogans to shape optimistic future performance, which might be different from the feasible reality. They convey two impressions through their responses to public inquiry on Carillion failure: (i) their audit practices were good all through their engagement activities with Carillion, and (ii) they are not to blame for Carillion's failure. The Big Four accounting firms engaged with Carillion beyond the conventional auditing norm; they engaged deeply in Carillion's strategic choices through steering and controlling organisational resources by means of consultancies/ advisory activities and acting roles.

**Contribution:** This study adds to the extant literature regarding how Big Four strategically use repetitive rhetoric slogans to shape optimistic future performance, which might be different from the feasible reality. Findings of this study have theoretical and managerial implications.

**Research limitations:** Due to the use of qualitative paradigm, our findings cannot be generalised. Yet, these limitations do not underestimate the contribution of this study to the extant literature on auditing practices.

**Keywords:** Financial reporting, auditing, rhetorical strategies, impression management, content analysis, accounting, discourse analysis.

**JEL codes:** M41, M42

## 1. Introduction

The global economy's health significantly depends on the integrity and transparency of corporate financial disclosures. Recent high-profile corporate failures have not only questioned the effectiveness of existing audit practices but also highlighted the profound impact of auditor roles on global financial stability. This study begins by exploring the crucial interplay between the Big Four accounting firms' audit practices and their broader consequences on market confidence, particularly in the wake of the collapse of Carillion plc, a seminal event that has reignited debates on audit reform and corporate accountability.

Financial crisis highlights the danger of crises of confidence in the audit practices. Criticism of the Big Four auditing practices is increased recently following companies collapses such as Carillion. Accounting firms as auditors have flagged their reputation and privilege based on the claim that their experience and proficiency enable them to manage risk and uncertainty and conducting proper and effective true and fair views about companies' financial health and to check the credibility of financial reporting. Recent events of companies collapse accelerated and fuelled debate at public sphere regarding suspicions/scepticisms auditors face

through repetitive slogans as expertise regarding conducting and assess true and fair view of companies’ financial statements. They claim expertise to challenge board of directors’ assumptions regarding judgements/estimates of future organisational events including forecasting future cash flows in and cashflows out (see Shaoul, 1997; Sikka *et al.*, 1998; Shaoul, 2005; Shaoul *et al.*, 2012; Sikka, 2015; Dunne *et al.*, 2021; Alkaraan *et al.*, 2023).

Key audit matters play a significant role in financial reporting and have garnered significant attention in recent years (see Elmarzouky *et al.*, 2023). The Big Four accounting firms have been under public inquiries since the financial crisis for their practices through issuing audit reports that do not reflect the reality of companies’ performance and financial position. This led to several firms collapses, jeopardising reputation, image, and legitimacy issues of the Big Four accounting firms. Carillion’s collapse was at the expense of stakeholders. Full costs resulting from the Carillion’s liquidation may not be known for years. However, there is much to learn from investigating how the Big Four responds to public inquiries (Dunne *et al.*, 2021). The Big Four accounting firms need to rebuild trust and legitimacy of their auditing practices. They need to revisit their model underpinning accounting and audit practices. They need to be aware of how they present their values and identity through conflicting interest issues to maintain public interest, trust, legitimacy, and their own reputation (Elmarzouky *et al.*, 2022a). It is significant to understand how Big Four accounting firms handle companies’ collapses and learning from failures is crucial for wider stakeholders (Elmarzouky *et al.*, 2022b).

Investigation of Carillion’s reveal how the outcome of creativity accounting and how Carillion financials were manipulated systematically and professionally through engagement and the design of its CFO to portray optimistic scenarios regarding their assessment of future cashflows through ineffective internal control mechanisms. The Big Four accounting firms appeared to comprehensively engage in various activities with Carillion and beyond the boundary of their conventional norm of audit practices. Effective internal and external mechanisms of control strategies supposed to prevent companies collapse (Gulko *et al.*, 2017). The involvement of the auditors in the companies’ strategic investment decision is done indirectly by means of providing management consultancy to the board of these companies. Shaoul *et al.* (2007) argued how they use these Big Four accounting firms, to develop and manage the policy formulation and implementation. These firms act as financial advisors to develop the policy and appraisal procedures, appraise individual projects, and advise both public and private sector clients. They prepare evaluative reports on the same policies in which they have a vested interest. The term ‘management consultancy’ covers a wide range of services, including human resources, financial, legal, and general management consultancy. KPMG engaged with Carillion as external auditors and Deloitte engaged with Carillion as internal auditors, providing potentially unqualified audit reports. KPMG received remuneration £ 29 million

through their engagement with Carillion for 19 years, acting as the company auditors (The Guardian, 2023). KPMG seems fail to practice their professional scepticism regarding judgement on true and fair issues of Carillion's financial statements through their tenure as Carillion's auditor. It seems that Carillion paid for the accounting firms to receive credibility badges in return for such amount of remuneration. Deloitte also receive from Carillion approximately £10 million as remuneration to act over these years as Carillion's internal auditor. Accordingly, it is important to offer insights onto their beliefs and how they regard regulators and other public bodies through adopting impression management strategies. Highlighting the rhetorical strategies and repetitive slogans embedded in the Big Four' response to public scrutiny offers significant insights for regulatory bodies and governments in preventing or mitigating other companies' failures. The impression management has been conceptualised by Merkl-Davies and Brennan (2011) as: self-serving bias, symbolic management, and accounting rhetoric. And this has been further discussed by Edgar *et al.* (2018) who have explained how Impression Management has been applied in corporate reporting for different contested contexts such as adverse financial performance, corporate scandals, environmental disasters and major re-organisations. Managers who last resource to their auditing firm's consultancy reports, use corporate communication strategies to attempt to influence stakeholders' perceptions of the company. These corporate communication strategies display in the discretionary financial, social, and environmental narratives in annual reports.

This study responds to the above recent call raised by researchers and contributes to our knowledge of current business crises (Gendron *et al.*, 2016; Gendron, 2018; Dunne *et al.*, 2021; Elmarzouky *et al.*, 2022c; Alkaraan *et al.*, 2022). Accordingly, the research question underlying this study is: How have the Big Four accounting firms taken advantage of impression management in reacting/responding to the public scrutiny regarding Carillion's collapse?

The remaining subsections of this are structured as follows. The rationale underlying is highlighted in section two. Section three presents research methodology. Discussion of the results is articulated in section four. This is followed by concluding remarks, limitations, and suggestions for future research in section five.

## **2. Literature review**

### **2.1 The current auditing environment and professional crises**

Mainstream of critical research on accounting practices addressed the danger of crises in confidence of these two domains of professional practices and articulate further issues for debates relevant to rebuild legitimacy and the need to rebuild trust through professional practices (see Cole & Cooper, 2006; Shaoul, 2005; Gleadle &

Cornelius, 2008; Shaoul *et al.*, 2012; Gleadle *et al.*, 2014; Dunne *et al.*, 2021). Dermarker and Hazgui (2022) discussed that the accounting profession remarked a shift toward commercialism. They further argued that there is ample evidence that auditing is now practiced in a suite of services sold by entrepreneurial professional service firms and concluded that the auditing profession has expanded auditors’ boundaries who have become experts with broader knowledge, better skills and aligned commercially to external clients. Current issues in sustainability and governance mechanisms are comprehensively examined using various theatrical lenses in different contexts and settings (see Alkaraan & Floyd, 2022; Wu *et al.*, 2023). Poor strategic choices embedded in strategic investment decision-making have significant influence on organisational long-term performance (Adel & Alkaraan, 2019; Alkaraan & Floyd, 2020). The nexus between best practices of corporate governance mechanisms and organisational performance remains a current issue in governance for regulators, standards setters, academics, and practitioners (see Alkaraan, 2021; Hussainey *et al.*, 2022; Alkaraan *et al.*, 2023).

Auditors are required to assess the financial reporting trustworthiness of companies’ performance, and to ensure such financial reporting practices represent true and fair view. The auditor’s judgment and scepticisms are crucial to ensure that company’s financial statements are prepared and presented according to trustworthy standards without material misstatements that mislead the users of these accounting statements. Auditors’ responsibility include ensuring that company’s financial statements are not manipulated. True and fair view means these statements portray the financial position of the company and mirror the organisational performance without any bias elements. According to the UK-Companies Act 2006, auditors must check that board of directors have satisfied their responsibilities for reporting true and fair view through their disclosure practices including financial statement embedded in companies’ annual reports. The above discussion may have highlighted the workings norms of auditing: the practice routines, judgments, decisions, and relational dynamics that go into producing an audit opinion.

Auditors play significant roles in accounting, organizations, and societies. Auditors’ responsibilities include assessing the credibility of company’s financial reports. Their roles, values and credibility are of significant relevance to the level of confidence attached to companies’ performance. It is a matter of import that auditors assess the validity of financial statements presented by the board of directors. Auditors must act within the public interest and the wider stakeholders. Auditors’ independent reports provide signals for stakeholders’ trust and confidence in business activities and organisational performance. Effective exercises of professional judgement are crucial factors of audit functionality. Effective professional judgment is a fundamental requirement of the auditing standard as articulated by ISA (UK) 200; the applications of relevant training, incremental knowledge, and experience, within the context provided by auditing, accounting and

ethical standards, in making informed decision about courses of actions that are appropriate in the circumstances of audit engagement. Professional judgment is relevant to risk assessment, fair values, going concern, interpretation of standards, designing procedures of the sufficiency and appropriateness of evidence. If the above issues are ignored, audit quality may suffer significantly. The FRC's Glossary of Terms – Ethics and Auditing (updated December 2019) defines the auditor as “the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm”. References to “the auditor” in this guidance follow this meaning and will refer to the auditor or auditors making the professional judgement. The framework for professional judgment (FRC, 2022) comprises four ingredients: mindset, professional judgment, consultation and environment factors. An appropriate mindset for auditors exercising professional judgement. Professional judgement process, together with a reminder to remain alert to situations which may require professional judgement. Effective communication with a range of relevant parties.

The auditing practice of the Big Accounting Firms has been always linked to the quality of services provided. The quality of auditing services is hard to measure, as auditing is credible where the assurance outcome of the audit process is unobservable (van Brenk *et al.* 2022). Furthermore, Hategan (2020) concluded that financial auditors contribute to the investors' decision making, so that providing quality services leads to the increase of the confidence in the profession of financial auditor. Hategan (2019) argued that increasing the quality of financial reporting and the quality of audit leads to increased investor confidence in professional accountants. It is noted that performing a quality audit, it does mean any detected irregularity that may have an impact on the information in the financial statements must be adequately corrected. Therefore, the content of the auditor's report should present users with more relevant information for decision making and building investment confidence via audited financial statements that carries a quality audit (ISA 700).

Rebuilding trust in auditing practices, there have been some responses and attempts from professional bodies to align and contrast the concepts of commercialisation and professionalism and to redefine the legitimacy of auditing quality. There has been also an argument that there is a fundamental inconsistency in the system of auditing in conducting mandatory audits in a context that the public interest may not be always and completely aligned with the accounting firm's private interests (Hategan, 2020; Humphrey *et al.*, 2021; van Brenk *et al.*, 2022). For example, oversight bodies were created whose legal mission was to verify the activity of the financial auditor and to enhance quality services of the statutory audit (Hategan, 2020). Humphrey *et al.* (2021) have challenged the predominant view of commercialism and professionalism as two distinctive opposed logics forced to accept a precarious co-existence. Opposite to auditors' perception as having a greater impact on society, authors show how auditors conceive the commercial imperatives of their work as vital influences on their professional self-worth. This indicates that policy

interventions by professional announcements that prescribe behaviour/action to fix for what is wrong with auditing are implausible to dismiss commercialism in auditing (Humphrey *et al.*, 2021). Other scholars have argued that due to audit quality concerns on the part of regulators and investors, accounting firms may need to re-evaluate their business model since the current model may be suboptimal (van Brenk *et al.*, 2022)

Overall, it is important to understand the high-quality supply side of auditing, and the developments in audit practice, methodologies, new technological solutions in audit, the daily lives of auditors and their firms, and the challenges of auditing regulatory demands and public expectations while striving to uphold standards of professional conduct and ethics.

## **2.2 The Carilion collapse and the role of Big Four accounting firms**

We have argued how the auditors are involved in the companies’ strategic investment decision is done indirectly by means providing management consultancy to the board of these companies. Addison and Miller (2015) articulate their perspectives on the dark side of the accounting profession through their debates on tax avoidance issues and the Big Four accounting firms. Similarly, other studies such as Cooper and Robson (2006) articulate the Big Four importance professionalisation issues and professional regulations. Other studies (e.g., Humphrey *et al.*, 2009) highlight how the Big Four dominate the global market for the audit of listed companies.

The company, Carillion plc, was one of the listed companies on London Stock Exchange, established in July-1999 after demerger process from Tarmac. The company had 43,000 employees (2016) and collapsed with compulsory liquidation (15<sup>th</sup> January-2018) with £ 7 billion liabilities.

Carillion’s board of directors informed by the FRC-UK (Financial Reporting Council in the UK) that the company under investigation regarding the announcements by Carillion’s board of directors between 7<sup>th</sup> December 2016 and 10<sup>th</sup> July 2017. The FRC announced investigation processes KPMG audit of the company from 2014 to 2016). The board of directors approach the UK government regarding debate about restructuring processes and also articulate their need for fundings (both short and long-term funding). The board requested fundings of £160 million with immediate funding of £10 million. Carillion board of directors incurred remuneration of £6.4 million to consultants and solicitors including remuneration for KPMG (£78,000), 1 million for FTI-Consulting, and remuneration for EY-£2.5 million and for Slaughter and May remuneration of £1.2 million. However, the UK government did not respond to this request, and the company winded through compulsory liquidation process by the Court. Carillion’s collapse led to

investigations though parliamentary committees regarding the conduct of Carillion's board of directors.

As we discussed above, auditors' responsibilities including obtaining appropriate and sufficient evidence regarding assertions of companies financial reporting. As regard to collapse of Carillion, the Big Four accounting firms supposed to understand Carillion's business model and the contextual factors surrounding its environment. This is a prerequisite for risk assessment processes when assessing the risks associated with material misstatement. The Big KPMG failed to exercise their professional scepticisms and judgement and to challenge the board of Carillion's judgment and estimates regarding future events and optimistic scenarios of future cashflows. Precisely, when assessing management judgement and estimate of future business events including scenarios relevant to future cashflows in or out. Though these practices may end by resigning from the engagement through modifying the audit opinions within the auditors reports or not signing the reports at all. Auditors must consider whether narratives reported by the companies are fair, true, understandable. Auditors' responsibilities include challenging management assumptions/scenarios and checking the credibility of narratives reported meet criteria underlying true and fair view rather than merely simply ticking of compliance reports. However, the mentioned issues can be challenging issues for auditors as professional scepticisms are comprehensively influenced by auditors' knowledge, values, attributes, identity, and other related behavioural issues that vary from one country specific context/ culture to another. The Carillion audit has been a focal point for the FRC's mission to enhance audit quality. The collapse of Carillion, a major construction and facilities management company, exposed significant deficiencies in the auditing process. The FRC's fines related to this audit send a strong message to the industry about the importance of thorough and accurate financial reporting. In addition to the fine related to the Carillion audit, KPMG received fines for its work with Luceco, The Works, and Eddie Stobart. PwC, another member of the Big Four, faced fines totalling £7.6 million for shortcomings in its audits of Stobart and Babcock. On the other hand, EY and Deloitte, also members of the Big Four, managed to escape fines but remain under ongoing investigations. Table 1 shows details of the Big Four accounting firms regarding their engagement activities with Carillion and details regarding the remuneration received from Carillion.

**Table 1. Details of the Big Four accounting firms' remuneration received from Carillion**

| <b>Big4 Audit Firms</b> | <b>From Carillion</b> | <b>No. Services</b> | <b>From Government</b> | <b>No. Services</b> | <b>Total Services</b> | <b>Total No. Services</b> |
|-------------------------|-----------------------|---------------------|------------------------|---------------------|-----------------------|---------------------------|
| Deloitte                | 10,323,193            | 59                  | 1,394,328              | 20                  | 11,717,521            | 79                        |

**Big Four ‘rhetorical’ strategies: Carillion’s collapse**

| <b>Big4 Audit Firms</b>       | <b>From Carillion</b> | <b>No. Services</b> | <b>From Government</b> | <b>No. Services</b> | <b>Total Services</b> | <b>Total No. Services</b> |
|-------------------------------|-----------------------|---------------------|------------------------|---------------------|-----------------------|---------------------------|
| Audit Services                | 13,575                | 1                   |                        |                     | 13,575                | 1                         |
| Financial Advisory Services   | 554,120               | 3                   | 1,394,328              | 20                  | 1,948,448             | 23                        |
| Other Advisory Services       | 8,929,911             | 37                  |                        |                     | 8,929,911             | 37                        |
| Tax Services                  | 424,669               | 16                  |                        |                     | 424,669               | 16                        |
| Transaction Advisory Services | 400,918               | 2                   |                        |                     | 400,918               | 2                         |
| EY                            | 15,628,213            | 45                  | 2,633,217              | 6                   | 18,261,430            | 51                        |
| Advisory Services             | 13,100,000            | 2                   | 2,034,186              | 2                   | 15,134,186            | 4                         |
| Tax Services                  | 369,064               | 18                  |                        |                     | 369,064               | 18                        |
| Assurance Services            | 220,150               | 3                   | 459,429                | 1                   | 679,579               | 4                         |
| Transaction Advisory Services | 1,938,999             | 22                  | 139,602                | 3                   | 2,078,601             | 25                        |
| KPMG                          | 16,800,000            | 24                  | 3,400,097              | 9                   | 20,200,097            | 33                        |
| Audit Services                | 13,100,000            | 9                   |                        |                     | 13,100,000            | 9                         |
| Financial Advisory Services   |                       |                     | 3,400,097              | 9                   | 3,400,097             | 9                         |
| Tax Services                  | 2,700,000             | 9                   |                        |                     | 2,700,000             | 9                         |
| Assurance Services            | 1,000,000             | 6                   |                        |                     | 1,000,000             | 6                         |
| PwC                           | 1,658,000             | 3                   | 825,000                | 2                   | 2,483,000             | 5                         |
| Financial Advisory Services   | 1,658,000             | 3                   | 825,000                | 2                   | 2,483,000             | 5                         |
| Grand Total                   | 44,409,406            | 131                 | 8,252,642              | 37                  | 52,662,048            | 168                       |

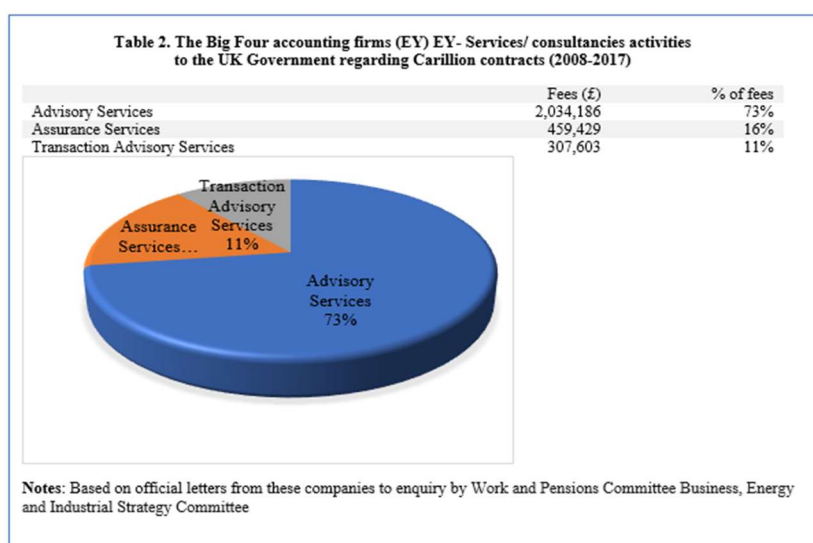
**Notes:** Based on official letters from these companies to enquiry by Work and Pensions Committee Business, Energy and Industrial Strategy Committee.

It seems that the Big Four was paid by Carillion the stated remuneration to maintain receiving badges of trustworthiness/ credibility in return to such remuneration. Also, the board of Carillion paid to the Big Four accounting firms (Deloitte) 10 million to

act as Carillion internal auditors, though the Big Four (Deloitte) failed to develop effective risk management strategies and financial control mechanisms to rescue the company from the collapse. Furthermore, the Big Four accounting firms (EY) received remuneration of approximately £11 million for six months of filed turnaround process through their consultancies with Carillion's board of directors.

As depicted in Table 1, KPMG was the main firm to provide audit services with £13m, followed by EY with only £13K. On the other hand, all Big 4 audit firms have provided non-audit services to Carillion, or the Government in relation to Carillion, in the forms of tax services, assurance services, financial advisory services, and transaction advisory services amounted to £2,700K, while PwC was not involved with tax services.

On the other hand, KPMG has provided the largest amount of Assurance Services to Carillion for £1M, while EY has provided such services to both Carillion (£220K) and the government (£459K). It worth noting here that KPMG has provided financial advisory services to the government only, with around £3,400K paid. Also, both EY and Deloitte have provided the largest part of financial advisory services, in which EY has earned £13,100K compared to £9,484K paid to Deloitte, while PwC has provided only financial advisory services to both Carillion (£1,658K) and the government in relation to Carillion (£825K). Table 2 depicts details regarding the Big Four accounting firms (EY) services to the Government in respect of its Carillion contracts (2008-2017). Advisory/consultancies and assurance increment to 89% remuneration regarding engagement activities beyond the Big Four accounting firms' norm of their conventional role, auditing practices.

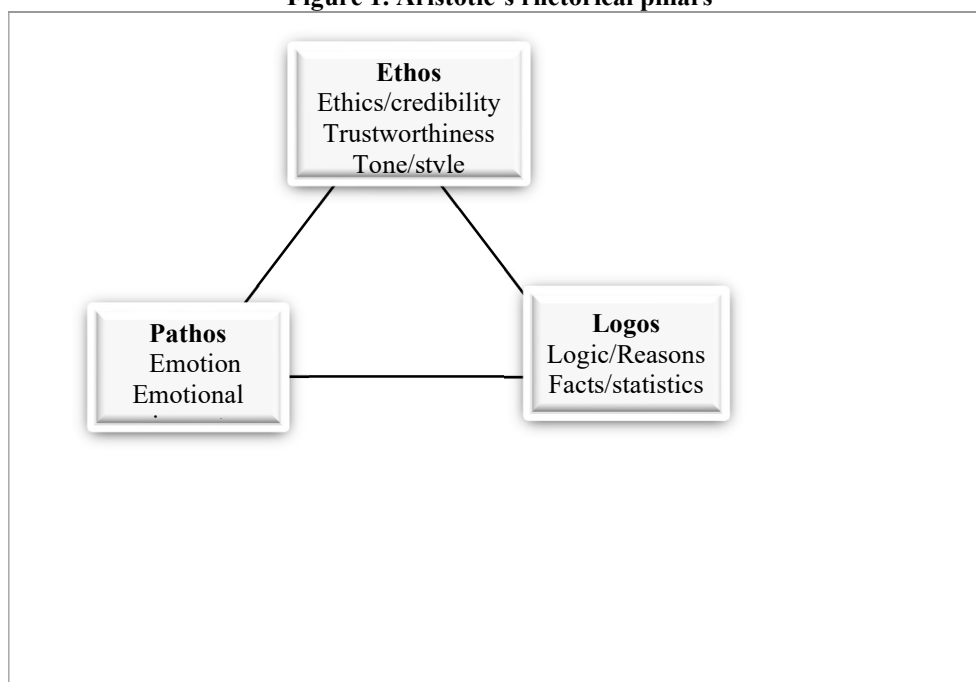


### 3. Research methodology

Our analytical framework is rooted in rhetorical analysis. This perspective enables the researchers to examine various issues including the rhetorical mechanisms that companies adopt usually to respond to certain situations/events. Companies usually employ such strategies as persuasion strategies towards stakeholders’ support regarding strategic changes and strategic choices including business model transformation; mergers and acquisitions; strategic investment or strategic divestment. Persuasions of ourselves and other individual/groups play critical roles in the way we familiarise ourselves and view our world (see Edgar *et al.*, 2021).

Companies may use rhetorical strategies retrospectively and repetitive slogans to shape or influence future rhetoric scenarios or situations as articulated by Higgins & Walker (2012) and Brennan and Merkl-Davies (2014). Other paradigms of research investigate rhetorical concepts of companies as persuasion approach to report on their companies’ activities regarding organisational sustainable performance in sustainability to maintain their loyalty to the society, and to maintain legitimacy and trust of their business strategies. Based on the above debate, our interpretation of the results rooted on persuasion concepts from impression management and strategic communication studies adopted mainly from Higgins and Walker (2012) to explain Aristotle’s pillars of ethos, logos, and pathos as depicted in Figure 1.

**Figure 1. Aristotle’s rhetorical pillars**



| <b>Rhetorical Pillars</b>  | <b>Persuasive mechanisms / strategies</b>  |
|--|--|
| Ethos <ul style="list-style-type: none"> <li>○ <i>Creditability</i></li> </ul>                           | <ul style="list-style-type: none"> <li>○ <i>Proclivity</i></li> <li>○ <i>Inclination to successes</i></li> <li>○ <i>Ignorance and Similarity</i></li> <li>○ <i>Expertise</i></li> </ul>  |
| Pathos <ul style="list-style-type: none"> <li>○ <i>Emotional concepts</i></li> </ul>                     | <ul style="list-style-type: none"> <li>○ <i>Cultural Reference</i></li> <li>○ <i>Metaphors</i></li> <li>○ <i>Symbols</i></li> <li>○ <i>Image</i></li> </ul>  |
| Logos <ul style="list-style-type: none"> <li>○ <i>Rationality</i></li> <li>○ <i>Reasoning</i></li> </ul> | <ul style="list-style-type: none"> <li>○ <i>Judgement</i></li> <li>○ <i>Rationality</i></li> <li>○ <i>Logical</i></li> <li>○ <i>Reasonable</i></li> <li>○ <i>Facts</i></li> <li>○ <i>Figures</i></li> <li>○ <i>Data</i></li> <li>○ <i>Historical</i></li> <li>○ <i>Evidence</i></li> <li>○ <i>Examples</i></li> <li>○ <i>Statistics</i></li> </ul> |

To have a better understanding of how the Big Four accounting firms/response to public investigation regarding companies collapses, we examine their evidence/response (dated 2<sup>nd</sup> February 2018) to the public inquiries (dated 25<sup>th</sup> January 2018) by the two parliamentary committees regarding the Carillion' collapse. These committees are "The Work and Pension" committee and the "The Business, Energy and Industrial Strategy" committee. Our analytical framework rooted on three pillars of rhetorical proofs developed by Aristotle: "ethos", "pathos" and "logos". This framework is instrumental and enables analysing the narrative extracts regarding persuasive appeals strategies mobilized by the Big Four accounting firms in their response to the public scrutiny regarding Carillion' collapse. Drawing on previous research of impression management, we use sensemaking-content analysis. We adopt two domains of impression management strategies: assertive mechanisms and defensive mechanisms articulated by more recent study of Dunne *et al.* (2021) through their investigation of how Big Four react to public inquiry during the Irish Banks crisis. These two domains, assertive and defensive, of impression management strategies have been employed proactively to enhance image and to mitigate damage/ unsuccessful outcomes (see Mohammed *et al.*, 1999; Cooper & Slack, 2015; Dunne *et al.*, 2021).

## 4. Results

In this section, we highlight and articulate the persuasive appeals used in each of Big Four auditors' reports. We explain how the persuasive appeals in auditors' reports facilitate the acceptability of the discourses constructed in these reports on

Carillion’s annual reporting. Unsurprisingly, auditors’ annual reports show interrelating and multiple appeals to ethos (credibility), logos (reason) and pathos (emotion). We provide a brief insight into the discourse enacted in each report towards persuasive appeals regarding Carillion’s board strategic choices. Carillion auditors’ rhetorical strategies, namely ethos, logos, pathos, are heightened in illustrative examples based on sentence and key word guiding analysis underlined.

Table 3 outlines results of our reading and analysis of the Big Four auditors’ rhetorical strategies through their responses to the public enquiry requests articulated by from the parliamentary committees.

**Table 3. Rhetorical strategies mobilized  
by the Big Four accounting firms regarding the collapse of Carillion plc**

| <b>Ethos</b>               |   |
|----------------------------|---|
| <i>Appeal to Expertise</i> | ○ (EY)<br>“ <u>Assisting the client with the structuring.....</u> ”<br>“ <u>Due diligence services in connection with the acquisition</u><br>...”<br>“ <u>Assisting the client in developing scenarios....</u> ”  |
|                            | ○ (Deloitte)<br>“ <u>Secondment to the client to fill the role of acting Head of Internal Audit ...</u> ”   |
|                            | ○ (KPMG)<br>“We <u>have no reason to believe that the 2016 Accounts showed other than a true and fair view..... we believe we conducted our work appropriately and responsibly</u> ”.   |
|                            | ○ (EY)<br>“ <u>Ad hoc advice on tax planning</u> and other relevant tax matters.....” “ <u>Assisting the client .....</u> ” “ <u>Acting as independent tax advisor</u> ”<br>○ (Deloitte)<br>“ <u>A review</u> of a third party’s controls operated on behalf of the client in compliance with the Data Protection Act 1998”<br>...“ <u>Creating</u> a dashboard and using analytics to help the client better manage their contract with a third party” |
| <i>Appeal to -Honesty</i>  | ○ (KPMG)<br>“We see this issue as at the heart of the “expectation gap”<br>“ <u>assisting management ... improve working capital</u><br>...identifying radical cost reduction opportunities”<br>○ (Deloitte)<br>“Preparation of a <u>due diligence</u> report and related reporting accountant work in connection with the acquisition of Eaga”.  |
|                            | ○ (KPMG)<br>“ <u>As we said at the start of this letter, the collapse of Carillion has affected many people</u> ”.  |

|  |  |
|--|--|
| <i>Appeal to- Similarity<br/>the use of "We"</i>                       | <ul style="list-style-type: none"> <li>○ (KPMG)</li> <li>"..... We believe it is important that regulators acting in the public interest review the audit work related to high profile cases such as Carillion. We will be cooperating fully with the FRC's investigation"</li> <li>○ (EY)</li> <li>"We have endeavoured to provide accurate details of our fees....."</li> <li>○ (Deloitte)</li> <li>"We would be happy to provide further details in relation to the Internal Audit services provided, if it would be helpful".</li> </ul>           |
| <i>Appeal to-Inclination<br/>Forecasting</i>                           | <ul style="list-style-type: none"> <li>○ (Deloitte)</li> <li>"A proof of concept to demonstrate the power of operational analytics to improve operational performance..."</li> <li>○ (EY)</li> <li>"business planning and forecasting..."</li> </ul>   |
| <b>Logos</b>   |  |
| <i>Appeal to-Reasoning/<br/>Justification<br/>/Judgement/Arguments</i> | <ul style="list-style-type: none"> <li>○ (KPMG)</li> <li>"..... An audit opinion is an opinion (based on obtaining reasonable assurance) on a company's accounts at a particular point in time, looking back over the previous 12 months, and on the reasonableness of management's view that the company will continue as a going concern for the following 12 months from the date of approval of the financial statements. ...." "Those judgements and estimations will evolve over time as work on a long-term contract progresses...."</li> </ul> |
| <i>Appeal to-<br/>Logic/Facts/Figures</i>                              | <ul style="list-style-type: none"> <li>○ (EY)</li> <li>Approximately 190 members of our staff (including support staff) were involved across.....</li> <li>○ (KPMG)</li> <li>"..... It's important to understand that the auditor does not express an audit opinion on half year results and that the scope of work in an interim review is substantially less than involved in an audit".</li> <li>"..... However, as noted above, Carillion's nondisclosure of the impact of IFRS 15 in its 2016 Accounts ..... ..".</li> </ul>                      |
| <b>Pathos</b>  |  |
| <i>Appeal to-emotion</i>   | <ul style="list-style-type: none"> <li>○ (KPMG)</li> <li>"We are very conscious of the impact Carillion's collapse has had..."</li> <li>"We are fully supportive of a wider debate which considers what purpose audit should fulfil to meet valid stakeholder demands in today's business environment".</li> <li>"We are committed to playing a full role in such a debate and working with other stakeholders in seeking to enhance the real and perceived value of the audit process".</li> </ul>  |

As for the impression management utilized by Big Accounting firms, our analysis provides evidence how the Big Four accounting firms mobilized defensive and assertive mechanisms underlying impression management strategies through their response to the public scrutiny. This is clearly evidenced by their discourses of repetitive slogans as depicted in Table 3.

- **Disassociation/Denial**
  - “looks forward to engaging fully in important debates about the role of auditors and in the wider debate about the provision of critical and relevant financial information to the market” (KPMG)
- **Apologies**
  - “If there are lessons to be learned, either from our review or that of the FRC, we will learn them” (KPMG)
  - “We are fully supportive of a wider debate which considers what purpose audit should fulfil to meet valid stakeholder demands in today's business environment” (Deloitte)
  - “We will always review our work when challenged, and the Carillion audit is no exception.” (KPMG)
- **Justification/Referring**
  - “The fact that subsequent events adversely impacted on the expected outcomes does not mean that the views formed about those contracts at the year-end were unreasonable or wrong” (KPMG)
- **Self-Promotion/Expertise/ Image of worthiness – highlighting their competencies**
  - “market sizing exercise for a potential new product the client was developing, to understand the potential value of the product, and a review of potential companies who may have been interested in acquiring the product or setting up a joint venture” (Deloitte)
- **Selectivity – quoting of reports to portray themselves in positive ways:**
  - “Completing a number of site visits across the U.K., Middle East and Canada, meeting local management, physically inspecting the stage of completion of individual projects and identifying areas of complexity through observation and discussion with site personnel” (KPMG)

Our analysis of Carillion collapse reveals the above articulated evidence regarding the rhetorical strategies and repetitive slogans adopted by the Big Four accounting firms. Undoubtedly, the Big Four accounting firms are engaging with companies' business model and strategic choices comprehensively. As illustrated in the above citations, the Big Four Accounting firms engaged compressively with various levels

of operational and strategic organisational activities of Carillion plc this through their engagement with Carillion regarding strategic investment decision making and strategic choices such as due diligence processes regarding mergers and acquisitions. They engaged deeply in the acquisitions process and other strategic choices through consultancy/advisory/review/evaluation/ activities, including acquisitions, due diligence processes prior to acquisitions, and information technology. The prior literature reveals that the Big Four operating closed services market, wielding considerable positions/power through businesses elite through a state-approved oligopoly (Addison & Miller, 2015). This conclusion is aligned with previous studies that argued that the involvement of Big Accounting firms in the companies' strategic investment decision is done indirectly by means providing management consultancy to the board of these companies. Shaoul *et al.* (2007) argued how they use these Big Four accounting firms, to develop and manage the policy formulation and implementation. These firms act as financial advisors to develop the policy and appraisal procedures, appraise individual projects, and advise both public and private sector clients. They prepare evaluative reports on the same policies in which they have a vested interest. the term 'management consultancy' covers a wide range of services, including human resources, financial, legal, and general management consultancy.

Findings suggest that Big 4 Accounting firms use impression management to legitimise during periods of uncertainty for PFI public policy, to alleviate concerns, to provide credibility for the policy and to legitimise the private sector's own involvement in PFI. Originality/value – Portrayal of public policy in annual report narratives has not been subject to prior research. The research demonstrates how managers of PFI private-sector companies present PFI narratives in support of public policy direction that, in turn, benefits PFI private sector companies. They claim expertise to challenge board of directors' assumptions regarding judgements/estimates of future organisational events including forecasting future cash flows in and cashflows out.

The involvement of the auditors in the companies' strategic investment decision is done indirectly by means of providing management consultancy to the board of these companies. Shaoul *et al.* (2007) argued how they use of the Big Four accounting firms, to develop and manage the policy formulation and implementation. These firms act as financial advisors to develop the policy and appraisal procedures, appraise individual projects, and advise both public and private sector clients. They prepare evaluative reports on the same policies in which they have a vested interest. the term 'management consultancy' covers a wide range of services, including human resources, financial, legal and general management consultancy.

## 5. Conclusions

We examine Big Four auditors’ rhetorical strategies and repetitive slogans through their response (official letters) to a public inquiry and how Big Four engage and deploy impression management at public scrutiny in an attempt to control the perception of others and to restore trust and legitimacy after Carillion’s collapse. As this study reveals, the Big Four have diversified their engagement beyond their conventional auditing role. The findings reveal they deeply engaged with Carillion through consultancy and advisory activities on strategic investment decision-making, including acquisitions, due diligence processes prior to acquisitions, and information technology. They have engaged with Carillion widely with various operational and strategic investment decision-making levels, including strategic choices. Findings of this study are consistent with the view of Detzen and Loehlein (2018) and Dunne *et al.* (2020). As revealed by this study, the Big Four accounting firms deployed impression management mechanisms to convey that their work was good and not blame about Carillion’s collapse. This is consistent with the findings of Dunne *et al.* (2021) regarding Irish banks crisis. The findings of our study are consistent with prior studies reported in the literature (Sikka *et al.*, 1998; Shaoul, 2005; Shaoul *et al.*; 2012; Sikka *et al.*, 2015; Cooper, 2015; Dunne *et al.*, 2021; Elmarzouky *et al.*, 2022a, 2022; Alkaraan *et al.*, 2022).

The concern articulated by Frémeaux *et al.* (2018) remains open for debate: “how might accounting professionals be released from an excessive focus on technical accuracy, technical neutrality and technical abstraction and reclaim the profession in the public interest?”. Carillion’s failure forces us to revisit the old questions underpinning accounting articulated by Fauré *et al.* (2019): “What are we doing when we do accounting? How accounting does or does not make the transition from non-being to being. Why do numbers matter so much in modern society? How can “things” be done and changed by making numbers speak?”. Furthermore, Carillion case raised other related issues for further debates around rethinking business education, including accounting and finance curricula. How might accounting and finance professionals can be released from the conventional role (technocrats focusing on financial calculations), reclaiming the profession in the public interest? How might they be released from accounting-based accountability to accountability-based accounting? The dilemma remains open for debate.

The Big Four accounting firms used a combination of defensive and assertive impression management mechanisms. We reminded that audit objective is to enhance the confidence of the users in the financial statements. The public interests benefit of audit stem, shareholders and other stakeholders benefit from the increased transparency. Transparency of financial testament helps assessing the stability and long-term viability of the entity. These mechanisms of transparency facilitate better functioning economy which benefits the public, beyond merely the intended users.

Individual, institutional investors, and creditors benefit from the increased transparency over how boardrooms have stewarded the assets entrusted to them.

The findings of this study raise a call to rethinking the auditing profession. As the role of Big Four accounting firms continues to expand beyond traditional boundaries into strategic consultancy, there arises a pressing need for an international regulatory overhaul to safeguard the sanctity of audit independence and transparency. Such reforms would not only elevate the trustworthiness of financial reporting but also significantly contribute to a more resilient and ethical global financial system.

**Acknowledgements:** The authors gratefully acknowledge helpful comments received from participants at The British Accounting and Finance Association (BAFA) Annual Conference 2023. The authors confirm that they do not have any conflicts of interest to declare.

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