Auditors at annual general meetings: a micro-perspective on the diffusion of accountability

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Abstract

Purpose – In 2023, the Dutch professional institute revised its guidance for auditor presentations at annual general meetings (AGMs), encouraging more transparency and enhanced communication with shareholders. This paper studies how auditors have enacted this guidance and hence how accountability is constructed at shareholder meetings.

Design/methodology/approach – The paper analyzes 20 auditor presentations and question-and-answer sessions at AGMs held in 2024 by listed Dutch entities. We investigate the micro-foundations of accountability through a three-pronged focus on situational, individual, and transformational mechanisms.

Findings – Our analysis reveals that auditors cautiously enact the revised guidance, furnishing some additional information while aiming to reassure shareholders about the opinion rendered. We also find that pertinent social facts penetrate the AGMs and become issues of contestation. Shareholder attention shifts from gaining insights into the audit work conducted, as intended by the professional guidance, and toward auditors' public interest role. Auditors hence become accountability subjects and rely on company boards to repair the disruption.

Originality/value – The paper reveals that external developments can become consequential for AGM interactions and upend the roles enacted in these meetings. Rather than functioning as shareholders' monitor, auditors may come under scrutiny for fellow professionals' conduct. Company boards become allies of auditors, as they work together to mitigate shareholder dissent. The paper makes visible practical enactments of accountability, which is reconfigured in unintended ways by blurring and inverting the roles commonly assigned to AGM actors.

Keywords Audit profession, Annual general meetings, Accountability, Micro-foundations, Routines

Paper type Research article

1. Introduction

Auditing is a social practice permeated by interactions, judgment, and uncertainties. Yet most audit activities are shielded from scrutiny by outsiders (e.g. Johed and Catasús, 2018; Power, 2003). Auditor confidentiality prevents disclosure of insights into the audit work conducted beyond the largely standardized communication in the audit report, such that outsiders need to trust the expert system that auditing represents (Unerman and O'Dwyer, 2004). The visibility of auditors is hence often confined to a name and signature in the audit report – and, in some countries, to a presentation at the auditee's annual general meeting (AGM). Yet research on these meetings highlights their orchestrated and routine character, portraying them as an accountability ritual (Carrington and Johed, 2007; Catasús and Johed, 2007; Hodges *et al.*, 2004; Power and Brennan, 2023). During their presentations, auditors seek to convey the imagery of a smooth audit process that is conducted by independent verifiers of financial statements, thereby "preventing the backstage activities from becoming visible to the shareholders" (Johed and Catasús, 2018, p. 365).

This veil over the auditor's work may be partly lifted in the Dutch context, where the professional institute revised its guidance on the auditors' role at AGMs (NBA, 2023). [1] Guideline 1118 considerably expanded what had been first introduced as a best practice in the

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Dutch corporate governance code of 2004, namely the presence of the auditor at AGMs and their possible questioning by shareholders (Commissie corporate governance, 2003).[2] As auditors often remained passive at these meetings, the Dutch shareholder association VEB (*Vereniging van Effectenbezitters*) in 2013 sent a critical letter to large audit firms demanding greater contributions from auditors at AGMs (reprinted in NBA, 2013). Yet it took another decade for the NBA to revise its guidance with a view to enhancing the transparency and communication of the auditor at shareholder meetings. Welcoming this change, VEB (2023b, p. 1) called for "meaningful reporting and communication by external auditors to society" and for auditors to "fully comply" with Guideline 1118 during the subsequent 2024 AGM season. We argue that the revised guidance and concomitant demands for transparency potentially disrupt the routine-like, carefully scripted AGM presentations that prior literature has portrayed (Catasús and Johed, 2007; Hodges *et al.*, 2004; Johed and Catasús, 2018), as auditors find themselves pressured to reveal insights into the audit work conducted.

The objective of this paper is hence to investigate how Dutch auditors responded to this potential disruption and enacted Guideline 1118 at shareholder meetings. We collect data on 20 AGMs of Dutch-listed companies held in 2024, with a focus on auditors' presentations and their subsequent questioning by shareholders. Theoretically, we follow prior literature's depiction of AGMs as a manifestation of agency theory, that is a setting in which a principal (shareholders) holds an agent (management) to account, with the auditor acting as an independent monitor of management (Jensen and Meckling, 1976). Given the orchestrated and ritualized nature of such meetings (Carrington and Johed, 2007; Catasús and Johed, 2007; Hodges *et al.*, 2004; Power and Brennan, 2023), we conceptualize the AGM as a routine with ostensive and performative features (Feldman and Pentland, 2003). The ostensive aspect includes institutional rules and norms that govern a routine, which in our case have been changed by Guideline 1118. However, whether these revised instructions alter the routine depends on their performative enactment – what actors do in practice when carrying out the routine. We draw on a micro-foundations perspective as an analytical lens on the performative enactment of the AGM routine by applying a three-pronged analytical framework (Felin *et al.*, 2012, 2015; Hedström and Swedberg, 1996). We study the situational context in which the AGMs are embedded; the action-formation mechanism that entails auditors' presentations; and the transformational mechanism, comprising the question-and-answer (Q&A) sessions, during which shareholder-auditor interactions make visible enactments of accountability at AGMs.

This framework leads us to unravel the role of social facts at the AGMs. On the one hand, Guideline 1118 furnishes limited enhanced transparency on the audit work conducted, as auditors enact the guidance in a carefully managed and guarded way. In turn, while shareholder associations seek to leverage the updated guidance, their questions directed at auditors are frequently answered by company boards. This reveals blurred role conceptions, both in terms of undermining auditors' supposedly independent positions and implying a distributed form of accountability that all actors on the podium share and absorb collectively.

On the other hand, two notable events affecting the Dutch audit profession penetrated the AGMs – a report from the audit oversight body criticizing audit firms' engagement quality control review (EQCR) practices (AFM, 2024) and the answer-sharing incident that triggered a record PCAOB fine for KPMG Netherlands (PCAOB, 2024). We show how these events entered the meetings and led to a redistribution of accountability, as shareholders made auditors accountability subjects, upending the roles ascribed to them by agency theory. Shareholders frequently focused on auditors' public interest role, questioning the reliability of their audit and demanding consequences, such as their resignation or discounts on audit fees. This disruption of the AGM routine was repaired by companies' boards, who sought to convey to shareholders their control of the situation, but occasionally simply terminated the discussion by proceeding to other matters.

Our study contributes to the limited accounting literature on AGMs that depicts these meetings mostly as rituals of accountability (Carrington and Johed, 2007; Catasús and Johed, 2007; Hodges *et al.*, 2004; Johed and Catasús, 2018; Power and Brennan, 2023). While our findings confirm that AGMs do not enact the roles ascribed to them by agency theory, we reveal a redistribution of accountability across actors that blurs and inverts these roles. Specifically, the situational embeddedness of AGMs means that social facts are brought into the meetings and become issues of contestation that are consequential for accountability relations. Rather than auditors acting as shareholders' monitor, this attention to social facts made auditors accountability subjects whose public interest function becomes an object of scrutiny, as auditors' membership of a collective profession needs to be defended. The resulting inversion of accountability roles highlights the attention to auditors' professional conduct (Carrington, 2010) and an ensuing lack of trust in auditing as an expert system (Unerman and O'Dwyer, 2004). Similar to auditors being part of management's network of allies (Carrington and Johed, 2007), company boards become allies of the auditor when repairing the AGM routine. This quashing of dissent might minimize accountability (Brennan *et al.*, 2024) but appears inevitable to restore upended accountability relations as well as the trust and legitimacy that the routine otherwise cultivates. Overall, the paper makes visible practical enactments of accountability, which is reconfigured in unintended ways at the shareholder meetings studied.

2. Theoretical framework

2.1 The AGM as a purpose-built accountability routine

A central tenet of agency theory is that a principal – shareholders – assigns work to an agent – management – who is to act on behalf of the principal (Eisenhardt, 1989; Jensen and Meckling, 1976). In determining whether the agent has acted in the principal's best interest, an auditor is hired to conduct "an independent check on the work of agents and of the information provided by an agent, which helps to maintain confidence and trust" (ICAEW, 2005, p. 7). Agency theory's influence extends beyond a description of principal-agent relationships. By having a performative effect, it reshapes the reality it aims to study, prescribing behavior for how actors *should* relate to one another (Christiaens, 2019; Cohen and Holder-Webb, 2006). Accordingly, management seeks to construct itself as a "good steward" (Carrington and Johed, 2007, p. 702) and corporate actors aim to conform to their predefined roles being driven "by prevailing rationalized concepts of organizational work and institutionalized in society" (Meyer and Rowan, 1977, p. 340). This self-fulfilling prophecy might be particularly pertinent for auditors, as agency theory has played a significant role in their education over the past decades (Cohen and Holder-Webb, 2006).

An AGM is often stylized as a manifestation of agency theory (Johed and Catasús, 2018), as it epitomizes an accountability setting in which an individual justifies their actions and behavior to an audience that judges their conduct (Bovens, 2007). Such accountability entails both an individual and a professional component: the individual personally renders an account of the work performed, while a forum of presumed peers evaluates them from a professional viewpoint (Bovens, 2007). At an AGM, management renders an account of their activities to shareholders, with auditors reporting on their assessment of management conduct, thereby enhancing accounting and governance functions at companies (Brennan and Power, 2025). Auditors thus strengthen the accountability relations created through agency theory by reinforcing shareholders' trust and confidence in management (ICAEW, 2005; NBA, 2023).

Research confirms that auditors use AGM presentations to convey this desired image to shareholders. They meticulously prepare their performances to deliver a smooth meeting that avoids "unnecessary confusion" (Johed and Catasús, 2018, p. 374) or being perceived as "incompetent or unreliable" (Pentland, 1993, p. 619). Any challenges to such portrayals may upend the production of accountability, undermining trust in auditing as an expert system (Unerman and O'Dwyer, 2004). Invoking expertise gives auditors professional authority and legitimacy by meeting the "pervasive expectations from the public to deliver flawless audits" (Gold *et al.*, 2022, p. 2701; Carnegie and Napier, 2010; Power, 2003). As a polished and uneventful performance best conveys the enacting of the roles prescribed by agency theory, such renditions convey “an impersonal view of the auditor” that is targeted to affirm their service to shareholders (Johed and Catasús, 2018, p. 387).

In line with this, studies of AGMs have portrayed these meetings as mere symbols of “openness and accountability” (Hodges *et al.*, 2004, p. 396), with actors engaging in “accountability-washing” (Brennan *et al.*, 2024, p. 19). Formally, AGMs help to contextualize and convey financial statements to shareholders (Carrington and Johed, 2007), with meetings potentially representing ideal speech situations in which shareholders deliberate management’s conduct (Catasús and Johed, 2007). Yet, in practice, “ritual and ceremony dominate” (Power and Brennan, 2023, p. 32), both because the meetings are heavily orchestrated and because actors engage in a “network of allies” that actively works together toward closure (Carrington and Johed, 2007, p. 706; Catasús and Johed, 2007). In view of their recurring nature, we conceptualize AGMs as organizational routines, which are “repetitive, recognizable patterns of interdependent actions, carried out by multiple actors” (Feldman and Pentland, 2003, p. 95). Such routines are formed in context and actors adopt patterns of action that seem most effective (Cohen *et al.*, 1996; Pentland, 2011). These patterns of action have ostensive and performative aspects, with the former providing institutional rules or norms for the routine and the latter representing the enactment of these rules (Feldman and Pentland, 2003; Pentland, 2011).

In our case, the ostensive part of AGMs entails the governance framework, which, in the Netherlands, has long described auditor attendance at AGMs as a best practice (Commissie corporate governance, 2003). Over the years, the audit profession expanded this recommendation through Auditing Guideline 780N (NIVRA, 2006) [3] and, most recently, Guideline 1118 (NBA, 2023). We conceive of the performative aspect of the AGM routine as the enacting of this professional guidance by auditors, manifesting in the ways they present insights from their audit to and answer questions from shareholders. As we argue next, the revised professional guideline potentially creates a disruption of auditors’ performance at shareholder meetings, enabling us to study auditors’ situated actions within the AGM routine that enacts and constructs accountability.

2.2 Disrupting the routine? A micro-perspective on changing institutional rules

The NBA’s (2023) Guideline 1118 asserts that the auditor’s role at AGMs had so far primarily involved answering questions about the audit opinion on the financial statements, while explaining the financial statements themselves was the responsibility of management. Departing from these roles, the guidance calls for an expanded presentation to provide insights into the audit and the findings that emerged during the auditor’s work with a view to “enhancing trust in the auditor” and “in the audit opinion and [...] in the financial statements” (NBA, 2023, p. 5). This notably is to include governance themes, as well as fraud, going concern, and less conventional audit topics, such as organizational culture or soft controls. The guidance states that, “although [these topics are] primarily within the domain of management and supervisory boards, [they] can still benefit from clarification by the auditor, adding value from an independent position based on observations made during the audit” (NBA, 2023, p. 10). Accordingly, the auditor is to ensure that their client waives confidentiality duties, so they can provide genuine insights into the backstage of the audit, thus departing from a key premise of Johed and Catasús’ (2018) study. To do that, the Guideline 1118 stipulates that auditors adjust their language in the dialogue with shareholders. Since “[a]uditors are accustomed to drafting the auditor’s report with technical precision [. . .], the wording and tone they use are not always clear to the average user” (accountant.nl, 2023).

Guideline 1118 hence represents a change in the ostensive aspects of the routine, in the form of the institutional rules that govern AGMs. However, as Feldman and Pentland (2003) argue, this does not necessarily or immediately translate into changed routines, as the revised ostensive aspects may be counteracted by the performative aspects. Put differently, the changed rules may not be enacted as anticipated, as actors maintain earlier routines due to inertia or for legitimacy reasons (Feldman and Pentland, 2003). To study auditors' enactment of the NBA's (2023) new rules, we take a micro-foundations perspective that presumes that actors, processes, and structures are "enmeshed in different interactions" to produce a macro-level phenomenon (Felin *et al.*, 2012, p. 1357). In other words, the actions taken at AGMs make visible practical enactments of accountability.

Accordingly, we draw on a micro-foundations model that posits three links between the macro and micro levels: a macro to micro mechanism, a micro-level mechanism, and a micro to macro mechanism (Felin *et al.*, 2015). Together, these mechanisms explain individuals' actions in a given context and how these actions produce an intended or unintended social outcome (Hedström and Swedberg, 1996). First, the macro-micro link entails the situational mechanism through which social facts condition individual action (Felin *et al.*, 2015). These facts include specific institutions, social structures, or other macro-sociological events in which an actor is embedded and that help to explain "the beliefs, desires, and opportunities of some individual actor" (Hedström and Swedberg, 1996, p. 23). This perspective emphasizes the macro context as an explanatory factor for individuals' behaviors (Felin *et al.*, 2015), sensitizing researchers to outside developments that shape individual conduct. The second link operates at the micro level and focuses on action-formation. It argues that "a specific combination of individual desires, beliefs, and action opportunities generate a specific action" (Hedström and Swedberg, 1996, p. 23). The individual actor's disposition may entail psychological mechanisms but primarily stems from "actor cognition, affect, characteristics, and behavior" that trigger the individual to engage in a given conduct (Felin *et al.*, 2015, p. 607). The third link is the transformational mechanism, which re-connects the micro and macro levels by revealing how the actions and interactions of individuals create a social outcome (Hedström and Swedberg, 1996). This link reveals the framework's bottom-up approach that seeks to understand "how actors, their interactions, and the mechanisms and context that influence such interactions produce firm-level and collective heterogeneity" (Felin *et al.*, 2015, p. 605). This connection between lower-level and higher-level phenomena is constitutive of both intended and unintended outcomes beyond the individual actor (Felin *et al.*, 2015).

We use this three-pronged framework as an analytical lens to study the performative aspects of the AGM routine that was ostensibly disrupted by Guideline 1118. Such analysis gives agency to the auditors enacting the new norms. On the one hand, we may expect them to enhance "the transparency of the chain of responsibility" (NBA, 2023, p. 5) and provide more insights into the audits conducted. On the other hand, the revised guidance creates uncertainty, as openness undermines trust in the expert system of auditing (Unerman and O'Dwyer, 2004), blurs the roles of management and auditor (Bosman and Harmsen, 2023) by unsettling the network of allies (Carrington and Johed, 2007), and may yield embarrassments that undermine the AGM ritual (Johed and Catasús, 2018). From this perspective, the revised guidance may even trigger auditors to reinforce their image of a trustworthy and independent "all-powerful professional" (Guénin-Paracini *et al*., 2014, p. 284) to avoid accountability and ensure closure of the AGM (Catasús and Johed, 2007; Hodges *et al.*, 2004; Power and Brennan, 2023). Given these conflicting expectations, we set out to explore how auditors enact Guideline 1118 and thereby construct accountability configurations *in situ*, that is at the shareholder meetings.

3. Research methods

3.1 Data collection

This study was prompted by the NBA's (2023) Guideline 1118 on auditors' AGM presentations. While the professional institute encouraged auditors to apply the guidance already in 2023, Eumedion (2023, p. 12) found that year's presentations to "not show a material increase in the informational value" of auditor presentations. As the guidance hence only came into full effect in 2024, we focused our data collection on that year's AGM season.

We began our data collection with the 75 companies listed on the Amsterdam stock exchange, for which we retrieved the dates of the AGMs as well as meeting minutes and auditor presentation slides for both 2023 and 2024, to the extent these were available online. To facilitate our remote data collection and analysis, we then identified those companies that offered an online livestream or webcast of their shareholder meetings. This left us with a set of 20 meetings, for which we used the video recording tool Panopto to capture the auditors' presentations and any ensuing Q&A session with shareholders. [4] These recordings were made to facilitate our analysis of the empirical data, such that we did not have to rely on the livestreams only and notes taken during an initial viewing. Table 1 provides a summary of the collected data. To contextualize our empirical data, we collected newspaper articles covering concurrent social facts as well as material on the development of the NBA's revised guidance, which included comment letters sent to the NBA and the annual letters from shareholder associations to Dutch audit firms.

As can be gleaned from Table 1, auditor appearances at the AGMs differed considerably. Some meetings were held outside the Netherlands (e.g. Air France-KLM in France, DSM-Firmenich in Switzerland), limiting the auditors' role to what seems to be common in those countries. Yet, even for the meetings held in the Netherlands, we see considerable variation in the length of the auditor presentation between 4 and 20 minutes. Likewise, the subsequent Q&A sessions varied between 2 and 23 minutes, whereas in three cases (Ahold-Delhaize, Air France-KLM, Signify), shareholders did not address any questions to the auditor.

The meetings were held in either Dutch or English, with a live translation available in several cases, presumably in line with the composition of companies' boards or shareholders. We captured the meetings in the language spoken by the actors, except for a few instances in which they switched languages, and the live translation took over in the webcast. The excerpts reproduced in the paper are hence either our transcription of the exchange or a translation thereof from Dutch to English.

Table 1. Overview of data collection

No.	Date of shareholder meeting	Company	Audit firm	Total length [min:sec]	of which Auditor presentation	Q&A
1	26 Mar 24	Randstad	Deloitte	19:53	4:30	15:23
2	10 Apr 24	BAM	EY	15:25	13:42	1:43
3	10 Apr 24	Ahold Delhaize	KPMG	17:03	17:03	–
4	15 Apr 24	Kendrion	Deloitte	21:29	16:03	5:26
5	16 Apr 24	PostNL	KPMG	31:01	16:09	14:52
6	17 Apr 24	KPN	EY	26:35	16:15	10:20
7	22 Apr 24	ING	KPMG	39:15	19:40	19:35
8	24 Apr 24	ABN Amro	EY	6:55	3:50	3:05
9	24 Apr 24	ASML	KPMG	26:52	12:40	14:12
10	25 Apr 24	Heineken	Deloitte	21:15	5:00	16:15
11	25 Apr 24	Akzo Nobel	PwC	20:05	12:50	7:15
12	7 May 24	Philips	EY	32:52	12:41	20:11
13	7 May 24	DSM-Firmenich	KPMG	3:31	–	3:31
14	14 May 24	Signify	EY	20:11	20:11	–
15	16 May 24	Adyen	PwC	11:43	5:30	6:13
16	21 May 24	Pharming	Deloitte	10:50	7:30	3:20
17	24 May 24	NN Group	KPMG	40:15	17:40	22:35
18	29 May 24	ASR Nederland	KPMG	20:42	12:40	8:02
19	5 Jun 24	Air France-KLM	PwC/KPMG	5:39	5:39	–
20	12 Jun 24	Aegon	PwC	10:11	7:53	2:18
		Total length		*6 h 42 min*	*3 h 47 min*	*2 h 54 min*

3.2 Data analysis

Data analysis began during our initial viewing of the meetings, as we were fascinated by both style and content of the auditor presentations as well as the subsequent discussions with the audience. This already led us to note salient themes and exchanges that were designated as potential power quotes to be included in the paper. Equipped with such an understanding of our data, we were intrigued by the way that individual actors render an account to a forum, which in turn holds the actor accountable for their conduct. This drew us both to accountability (Bovens, 2007) and a micro-foundations perspective (Felin *et al.*, 2012, 2015) as useful theoretical lenses for the analysis of our empirical material. As literature suggests that AGMs function as an orchestrated ritual, rather than a full-fledged accountability forum (Catasús and Johed, 2007; Hodges *et al.*, 2004; Johed and Catasús, 2018; Power and Brennan, 2023), we conceptualized AGMs as an organizational routine (Feldman and Pentland, 2003) that, in the Netherlands, is potentially disrupted by Guideline 1118. We adopted a micro-foundations perspective as an analytical lens on the performative aspects of this routine (Felin *et al.*, 2015; Hedström and Swedberg, 1996), to capture the three mechanisms linking the macro level (i.e. the professional and social context) and the micro level (i.e. the auditor and shareholders at an AGM). We then went back to our data to develop a theory-informed narrative on, first, how macro-level events affect the auditor's appearance at the AGM (the situational mechanism), second, how the auditor assimilates these and renders an account at the AGM (the action-formation mechanism), and third, how the interactions between shareholders and auditors enact accountability configurations at the meetings (the transformational mechanism). These themes are the basis for the empirical narrative that follows.

4. Empirical narrative

4.1 Situational mechanism: the professional context of the 2024 AGM season

The 2024 AGM season was foremost characterized by the NBA's (2023) Guideline 1118 and demands for enhanced transparency from shareholder associations. Yet it was also shaped by the local professional context, which has seen intense regulatory and public scrutiny throughout the past decade (Detzen, 2024; Groot *et al.*, 2026; Humphrey *et al.*, 2018). To situate our analysis, we begin with a discussion of social facts that became salient in our empirical setting (Felin *et al.*, 2015).

4.1.1 Social facts: demand for enhanced transparency in the Dutch audit field. The Dutch audit profession has historically enjoyed a high standing, with auditors taking pride in their societal role (Camfferman and Quadackers, 2023). However, this standing has been undermined by a series of scandals after the global financial crisis, close public scrutiny, and a strict audit oversight regime (Detzen, 2024; Groot *et al.*, 2026; Humphrey *et al.*, 2018). Ever since the national oversight body – the Authority for the Financial Markets (AFM) – began reporting on its inspection findings in 2010, audit firms faced intense criticism, which culminated in a highly critical inspection report (AFM, 2014) as well as concomitant media pressure (Detzen, 2024), triggering the audit profession to develop and implement an extensive reform program (NBA, 2014). Since then, the Dutch profession has exerted much effort at regaining public trust, with the institute aiming to assist auditors "in fulfilling their crucial role in society, both in the present and future" (NBA, 2025).

One example of the institute's efforts to restore trust in the auditor is Guideline 1118 on auditor presentations at AGMs (NBA, 2023). While auditors had been given the right to speak at shareholder meetings in 2004 (Commissie corporate governance, 2003), they played only a minor role at AGMs, which repeatedly drew criticism from shareholder associations (e.g. VEB letter, reprinted in NBA, 2013). It was only in 2023 that the NBA encouraged auditors to be more transparent about the insights gained during their audits, and more specifically about the audit process, findings, and other information in the annual report, including the management report and the report of the supervisory board. In view of auditors' public interest function, the NBA (2023, p. 15) found it "important that the auditor avoids using specific jargon as much as possible during the general meeting or provides additional explanations to clarify it for the participants."

Having called for enhanced transparency, the shareholder association VEB (2023a) had criticized auditors' AGM presentations for following "too much of a clearly scripted story with limited depth." In its yearly letter to the Dutch audit firms licensed to audit public interest entities (PIEs), the VEB (2023b) reminded auditors that shareholders are their "real client," making "the AGM the ideal platform for dialogue with shareholders." They hence called for "a proactive and assertive stance from the external auditor, maintaining appropriate distance from the audited entity [which] we do not always see [in practice]."

This perspective was echoed by Eumedion, which represents institutional investors. Its 2024 Audit Firm Letter, also addressed to the PIE-licensed Dutch audit firms, was entirely dedicated to Guideline 1118, expressing strong support for the guidance, because:

> its diligent application will lead to a better understanding of what your audit entails and what your key findings were to investors, including those investors who are not present at the shareholders' meeting. [. . .] Eumedion expects external auditors to provide shareholders with supportive context and details on its audit and key findings during the shareholders' meeting and demonstrate a constructive stance towards addressing any follow-up questions from shareholders. (Eumedion, 2023, p. 1)

Other parties were more cautious and encouraged auditors to remain within the boundaries of their professional doctrine (Bosman and Harmsen, 2023). For example, a representative organization of listed companies noted in response to the NBA's consultation:

> [Auditors'] statements are given significant weight [at AGMs], while it is difficult for them to make public statements about subjects that fall outside the scope of their audit or for which they cannot rely on accounting standards to verify their observations and base their statements on. The [guiding] principle [should be] that a professional opinion of the auditor must be based on a sound foundation, consisting of sufficient competent [sic] evidence obtained through an adequate audit approach. (VEUO, 2023, p. 4)

Audit firms were likewise skeptical about making statements beyond the scope of their audits, arguing that, in essence, their findings were expressed in the audit opinion (EY, 2023; PwC, 2023). Yet audit firms appeared to understand the demand for enhanced transparency, such that Guideline 1118 was overall received positively. Nonetheless, there appeared to be some unease about auditors' supposedly changing role, which potentially disrupted extant routines.

4.1.2 Two salient social facts: engagement quality review and the "exam fraud". As the AGMs were held between March and June 2024, two other social facts emerged that would penetrate the shareholder meetings. First, on 21 March, the Dutch audit oversight body issued an inspection report that criticized audit firms' engagement quality review practices, primarily for failing to ensure that auditors collect the evidence necessary to support their opinions (AFM, 2024). Similar to prior regulatory scrutiny that had a bearing on auditors' integrity (Detzen, 2024; Groot *et al.*, 2026), this report triggered critical headlines in the business press ("AFM: Auditors' reviews of each other's work are far too lenient," FD, 2024a) but also prompted a rebuke from audit experts (FD, 2024b). The media coverage and ensuing professional debate underscored the report's significance and together drew attention to engagement quality reviews as an otherwise less visible feature of financial statement audits. We surmise that this publicity made it a pertinent social fact at the time of the AGMs.

The second important issue related to the answer-sharing incident, which became known as the "exam fraud." Since late 2022, the Dutch profession faced allegations that "[audit] staff manipulated exams" by sharing answers to mandatory e-learnings (FD, 2022). Throughout 2023 and into early 2024, the subject remained a latent issue in the business media and professional news, gaining prominence when several audit firm leaders resigned in light of the allegations and all large firms launched internal investigations. This culminated in the news on 10 April 2024 that the PCAOB had imposed a "record $25 million fine" on KPMG for its handling of and inappropriate response to the matter (PCAOB, 2024), which was widely covered in Dutch media (e.g. FD, 2024c; RTL, 2024; Volkskrant, 2024). Accordingly, the audit profession, and especially KPMG, drew fierce opposition for their perceived lack of integrity, resonating with earlier pervasive criticism of auditor conduct in the Dutch profession (Detzen, 2024; Humphrey *et al.*, 2018). As perceptions of professionalism shape public attitudes toward auditors, the answer-sharing incident turned out to envelop auditors' appearances at the AGMs.

4.2 Action-formation mechanism: rendering an account

In light of these social facts, auditors took the stage at the shareholder meetings. This section elaborates on the action-formation mechanism (Hedström and Swedberg, 1996), exploring how the situational mechanism affected auditor presentations at the AGMs.

4.2.1 Responding to demands for enhanced transparency. In the observed AGMs, auditors used uniform slide decks from their respective firm to guide their presentations, often employing similar or even identical wording. This suggests that auditor presentations are scripted at the firm level, echoing earlier criticism from shareholder associations (Eumedion, 2023; VEB, 2023a, 2023b) but also evoking the ostensive aspects of a routine that help to legitimate performances (Feldman and Pentland, 2003). Presentations from some firms exhibited more consistency than others, hinting at varying degrees of scripting and foreshadowing the extent to which auditors would take leeway in enacting the revised professional guidance. In line with Johed and Catasús (2018), we find that the way the auditors introduced themselves exuded professionalism, with references to their embedding within large audit firm networks, claims of independence, and assurances of integrity. For example:

> It is important to say that our profession is all about confidentiality and we have to be confidential about the information obtained, so we have that embedded in our processes. (KPMG at ASML)

Yet this self-presentation differed considerably among auditors. Some read directly from their notes, spoke rapidly using technical jargon, and made limited effort to interact with the audience. Other auditors were more at ease and sought to connect with the audience, thereby allowing themselves to respond to cues. We also observed instances where auditors employed self-deprecating humor, possibly to forge a connection with the audience:

> Thank you chair, and as you already hinted at, our presentations keep getting longer each year. [laughter] (EY at Philips)

In other instances, auditors referred to the role ascribed to them by agency theory, seeking to align with shareholder expectations:

> My role is to do a very robust audit, first and foremost. And then to do it as efficiently as possible, which I am sure you appreciate as shareholders. (PwC at AkzoNobel)

These auditors also attempted to make their jargon understandable:

> And we issued an unqualified opinion. I think it's always a difficult translation for someone outside audit practice. In proper Dutch it is called a *goedkeurende verklaring* [literally: approving declaration], which implies that the financial statements give a true and fair view and that they have been prepared in accordance with IFRS and Dutch law. (KPMG at ASML)

In adhering to a technical approach, auditors appeared to follow the ostensive aspects of the AGM routine, enacting a professional doctrine that revolves around technical expertise and authority, but also their role as an independent monitor that addresses the accountability needs of shareholders.

Content-wise, presentations largely adhered to the professional guidance, discussing the audit opinion, key audit matters, the scope of the audit, the audit process, communications with management, and the audit plan for the subsequent year. In many cases, though, they provided little additional insights into the audit that could not be gleaned from the audit report. It was only a few auditors that attempted to "add some color to the [audit] report," such as by revealing that "The audit is about 75,000 hours in total by more than 100 colleagues in 18 countries" (PwC at AkzoNobel). The same auditor stressed that:

> I sign these reports on behalf of PwC with my personal name, and I always want to emphasize that signing with my personal name does show also my own commitment towards delivering quality work.

Other instances included areas where auditors appeared to reveal "the limitations and fallibility of their expertise" (Unerman and O'Dwyer, 2004, p. 977). One such topic concerned culture and behavior, which is highlighted in Guideline 1118, but in which auditors are generally not trained, nor do they make use of specialists, as they would for certain valuations or fraud. One auditor conveyed that "culture, behavior and soft controls are important factors in the internal control environment" and that they specifically looked at these elements during the audit, only to downplay this work by stating "we are not behavioral scientists" (EY at KPN). Another auditor from the same firm used similar wording:

> Even though auditors are not experts in culture and behavioral matters, and this was also not part of our audit scope, I can inform you we take culture and behavior into account throughout the planning, execution, and conclusion phase of the audit. [. . .] Culture is regularly on the agenda in meetings with the audit committee and Board of Management. We take notice of reports relating to culture, people engagement surveys, and Compliance Office reports, including follow-ups. Also, in terms of culture, we feel free to make comments. Our view on culture is that the company takes culture very seriously. (EY at Signify)

This excerpt reveals a balancing act between conveying additional insight into the auditor's considerations on organizational culture and emphasizing a narrow role conception under which culture is outside the audit scope. This is indicative of auditors' cautious approach to revealing additional information to shareholders.

4.2.2 Addressing a pertinent social fact: the answer-sharing incident. In their presentations, several auditors felt compelled to address one of the social facts pertinent at the time of the AGMs. Whereas we observed only some general references to the AFM report on engagement quality reviews during the presentations, the answer-sharing incident featured more prominently, especially following news of KPMG's fine. When addressing shareholders, KPMG auditors accordingly opened with a statement on the incident:

> I would first like to reflect on the recent media coverage on KPMG, related to the completed investigation into the answer sharing of mandatory training tests, which resulted in a settlement with PCAOB. I deeply regret this conduct happened within KPMG. This should not have happened. KPMG performed and is performing a thorough root cause analysis and we have been taking various measures, on training, culture, behavior, and ethical decision-making. Individuals who have been involved have been sanctioned. And some of them had to leave the firm. For you as shareholders, I can imagine that it is relevant whether the audit of ASML is affected. I can tell you I have not been involved in answer sharing, which is also confirmed by the investigation. (KPMG at ASML)

While these remarks were presented as a personal statement, other KPMG auditors used similar wording at other AGMs (PostNL, ING, ASR), suggesting again that the statements were scripted, rather than a genuine personal declaration from the auditor.

Yet this evidence of the situational mechanism implies that outside developments have a bearing on the AGMs and may become consequential for accountability configurations. That is, although Guideline 1118 focuses on the conduct of and findings from the audit, auditors apparently felt a strong need to also account for the answer-sharing incident. This connotes both expansive perceived accountability demands that include the auditor and their integrity as well as auditors' strong association with their profession that needs to be defended. We find that auditors from other firms similarly felt compelled to justify themselves:

> Before I begin my presentation, I want to give a quick response in relation to academic integrity. EY and I personally regret this situation. Considering the important role we as auditors play in providing

> trust to the public at large, you can be sure our investigation is very thorough but [it is] still ongoing and on legal privilege. As a result, I cannot provide more details, but I discussed this with the supervisory board, also in preparation for this AGM. If the findings are final, hopefully next year, I will share them. To confirm to you as shareholders, personally I always act with the highest level of integrity. (EY at Signify)

While acknowledging that his firm was also affected by the answer-sharing incident, the auditor affirmed that he himself adhered to "the highest level of integrity," thus invoking one of the profession's central principles. Another auditor similarly foregrounded his personal sense of responsibility that led him to instill a similar culture in his audit team:

> Our ethics need to be beyond doubt. And when these ethics are being questioned, that is painful. That is painful for everyone. [...] We also have an investigation ongoing [at our firm], which is not [yet] complete, so I cannot say anything [about it]. [. . .] What I will say [is] that the fact that I am standing here, is something you can infer some information from. [laughter; auditor looks at the board]. That is the only thing I am allowed to say, I actually got that quote.
>
> The second thing [is...] what I did personally is pay specific attention to the culture in the team, quality of doing our work, discussing the ethics in performing our work. I have been personally quite involved in the audit, more than 500 hours, which is quite a lot. And instilling a culture within the team—of challeng[ing each other] and when things happen, that we deal with it—that is a culture [that] I think is very important. If the question is whether I am comfortable with the quality of the audit we delivered, the answer is yes. (PwC at AkzoNobel)

Accordingly, auditors appeared to enact the expanded scope of their presentations by including an account of the answer-sharing incident, doing so by invoking their personal integrity to vouch for the audit work conducted. As perceptions of auditors are intertwined with their roles in rendering an audit opinion, the presentations sought to reassert auditors' intended role as a trustworthy monitor on behalf of shareholders.

4.3 Transformational mechanism: the diffusion of accountability

Following the auditor's presentation, shareholders were given the opportunity to ask questions to both management and auditor, which they did in all but three AGMs. In half of these meetings, the Q&A session was as long as or even longer than the initial presentation. This section first elaborates on discussions of audit-related questions and then reveals how auditors were held accountable for the social facts pertinent during the AGM season.

4.3.1 Shareholder questions: role confusion between company boards and auditors. In many Q&A sessions, shareholders asked the auditor to convey more information on the company's financial statements. These technical questions were mostly posed by shareholder associations, chiefly the VEB, and covered various topics, including the involvement of fraud specialists, materiality, impairment testing, the Corporate Social Responsibility Directive, and Key Audit Matters. For example:

> [One question is about] the commitment to provide [name subsidiary] with equity. Despite the additional contribution of 85 million last year, the commitment has been increased by 39 million to now 202 million Euros, and it seems that more contributions are needed than previously assumed. What do you think is the reason for this? And the last point is Note 11 about the intangible assets, and it reads, in 2023, the WACC was higher compared to 2022, and it states in English: [This was] due to an increase in the risk-free rate and beta, offset by a lower cost of debt. The higher terminal growth rate is due to the higher WACC. It is difficult for me, and I think for many outsiders, to understand that the risk-free rate would rise but the WACC would fall. [...] What exactly is going on here? (Forum at KPN)

Arguably, these are the types of questions that Guideline 1118 intended to be asked. However, in several AGMs, we diagnose role confusion between auditors and company boards when responding to these questions. While Johed and Catasús (2018) find that auditors often support management at AGMs, we observe the inverse relation in that boards frequently support auditors or consider themselves in a better position to respond. For example:

Forum: I have a question about taxes. [...] Is the entire tax setup and the way you handle taxes not something to look at more broadly also by the auditor? So, the very concrete question I have for the auditor is, why don’t you consider the entire tax situation as a Key Audit Matter? Because it has such a huge impact, either positively or negatively?

Chair: I would actually like to first give the floor to our chair of the audit committee.

Chair audit committee: Thank you for your question. [Provides answer.]

Forum: Yes, I understand this answer, and I am not accusing you of doing anything improper. [...] But [you] also may want to ask the auditor to take another look, because there might be a lot of bad news waiting that we can prepare for in advance. [. . .]

Auditor: Well, taxes certainly have our attention. So, you need to understand, all component [auditors] that audit for us in the different countries, including Belgium and France, also sign off for us on the total financial position, including the tax position. And in addition, as [audit committee chair] already mentioned, the situation in Belgium has our increased attention. So yes, we certainly take that into account in our audit.

Chair: Then the CFO.

Forum: Sorry, but this really concerns the role of the auditor.

Chair: Yes, and [name CFO] will add something to that. [...]

CFO: [Provides answer.]

Forum: If I may respond to this. [...] The Audit Committee has indicated that there is a risk that more governments will try [to increase their tax takes]. You will have to litigate about this, where you can win or lose. That can be a very good reason to not only seek external help but also to ask the auditors to not only look at it, but to [label] this as a Key Audit Matter. That is the core of my question. Of course, you look at tax-related matters. That is part of your work. But this is so important. I want to request something. In the companies I follow, you see that the impact is greater than you would expect. So, why is it not defined as a Key Audit Matter?

Chair: We feel that it absolutely gets the attention it deserves.

Chair audit committee: Yes, we indeed pay a lot of attention [to taxes], also the auditor [does the same], as explained by [the auditor]. (Deloitte at Randstad)

This vignette illustrates the forum’s attempt to obtain more information from the auditor, only for the company’s board to interfere. While the chair of the audit committee and the CFO take several minutes to respond, the auditor takes the floor only once, and his explanation is limited to a few sentences. Accordingly, there appear to be different understandings between the forum and the board about their respective roles, which depart from the ones prescribed by agency theory. Ultimately, this leaves the auditor unable to meet the forum’s transparency demands, not because of unwillingness, but due to the board’s intervention.

At another AGM, the forum asked the auditor about the organization’s cooperation in determining Scope 3 emissions (Deloitte at Kendrion). The auditor responded positively, noting that this was a learning process for many companies, only for a company representative to answer the question again. In another example, the forum’s query on cybersecurity was first answered by the auditor, with a follow-up from the board:

Auditor: Thank you for the question. [Cybersecurity] is an important topic, also in our audit. Our focus of course is to see whether there is a risk of material misstatement in the financial statements. So, we do identify it as a potential risk. And there was an incident that the company also disclosed in the financial statements, which was a big scare. But it was not material, right? And it was not material to the audit, but we did report it as important for the reader.

Board: You asked: ‘Is everything safe?’ Everything is a lot. It is a continuous battle with the people who are trying to get a hold on the information, so we are continuously upgrading. Because it is war

> and this is where we put maximum effort in to protect and respond, this is what we do. I was triggered by: 'Is everything secure?' You can never say that. (KPMG at ASML)

We also found instances where the forum asked questions to the board that seemingly fell under the auditor's responsibility, thus confusing the roles that the auditor and the board are to take. Thus, in contrast to Johed and Catasús (2018), we do not see the auditor stepping in for the board but rather observe that company boards actively share in the auditor's accountability. These instances highlight that, instead of auditors monitoring management, all actors on the podium – management, board, auditors – work together to meet the accountability demanded from shareholders and hence absorb it collectively.

4.3.2 Demanding accountability for engagement quality reviews. Generally, the auditor signing the audit report personifies the audit firm and the audit conducted, which is reflected in this person taking the stage at the AGM. Other individuals involved in the audit stay in the background and are mentioned only in passing, for example specialists or the audit team. Yet, in response to the AFM (2024) report, the forum also demanded insights into the engagement quality review. It was especially one shareholder who attended several AGMs and repeatedly wanted to know the name of the reviewer, occasionally alleging that: "the AFM says you need to disclose this. [. . .] I want to know who this is!" (KPMG at ING). As this shareholder variously referred to the reviewer by the abbreviations AKB or OBK, instead of OKB (*opdrachtgerichte kwaliteitsbeoordelaar*), the question regularly created confusion.

Auditors were often reluctant to disclose their colleague's name. One simply replied: "That is not necessary, and I want to leave it at that" (Deloitte at Randstad). At another AGM, a similar discussion emerged:

> Forum: But ultimately, we shareholders determine the auditor [of the company]. If you say: 'I won't give you [the name],' I find that the pinnacle of intransparency. [...]
>
> Auditor: Thank you, but we also have to comply with privacy. And my name is known.
>
> Forum: I disagree with that. On Tuesday, I was at a [shareholder] meeting, coincidentally [there was] a colleague of yours, where I did hear about the OBK [sic], and I was at a meeting on Wednesday, where I heard [the name of] the OBK too. [...] Otherwise it's the same thing as with fraud: Someone needs to do the OBK, but no one knows [who it is], so you're the OBK yourself. Come on! (Deloitte at Heineken)

Meeting resistance from the auditor who seemingly did not understand why the reviewer's name would be of interest, the shareholder remained silent about its significance to his assessment of the audit. We surmise that the question was mainly intended to demand accountability, being brought about by the publicity that engagement quality reviews received following the AFM report. Also, while the auditor remained calm but firm in his position, the shareholder began to launch accusations at the auditor. Eventually, the company chair took over and relieved the auditor from the situation.

As this shareholder remained a presence at the AGMs, we observed a shift in auditors' responses. Following the first three meetings, they began to reveal the reviewer's name:

> There is somebody behind the screens and I can tell you the name of the person, if you think it's relevant, I can give you the name, it's [name reviewer]. Nothing secret about it, but this person has no [role to play at the AGM]. (KPMG at NN Group)

These interactions underscore the challenge of meeting enhanced transparency expectations. Lacking intuition on how much information they can or should reveal, auditors appear to adopt a cautious line, reflecting their profession's principle of confidentiality. Yet blocking demands from shareholders, even arbitrary ones, created tensions, likely fostered by the profession's position in early 2024 when its integrity had been called into question. The shift toward disclosure hence seems driven by both shareholder pressure and an attempt at transparency.

4.3.3 Demanding accountability for the answer-sharing incident. Intense exchanges also emerged following news of the PCAOB fine against KPMG. While auditors tried to preempt criticism by including personal statements in their earlier presentation, the Q&A sessions often returned to this social fact:

> Forum: The auditor has indicated that neither they nor their colleague were involved in the exam fraud, but I assume the team consists of more than two people. What about the rest of the team?
>
> Auditor: [. . .] I am not aware of whether our team members were involved in this matter or not. Due to GDPR [General Data Protection Regulation], this information is not disclosed to me. However, please be assured that those who were involved have been sanctioned within KPMG. (KPMG at PostNL)

Similar exchanges unfolded at other AGMs with auditors from other firms being questioned about events at KPMG, similar incidents at their firm, and any implications for the audit. Auditors' answers were replete with apologies but also awareness of the implications for the profession and often concluded by vouching for the work conducted on the company's financial statements. In some instances, such forthright answers received respect:

> Forum: I understand. Look, I used to work at a bank, and there the [training] questions were answered by the entire department [together]. Fraud is always possible, and at KPMG, that has been the case. It is, of course, sad that this happens. (EY at ABN Amro)

As in the first excerpt, auditors referred to GDPR regulations to say that they were in the dark about what exactly went on at their firms and who had been involved in the answer-sharing. That meant they could not answer the forum's questions with the desired level of detail. Being bound by the non-disclosure strategy that their firm doubtlessly decreed and that seemed legally appropriate, auditors found themselves in the difficult position of being unable to convey information, while attempting to re-gain the trust that the profession had lost:

> Forum: [There are] two reasons why I think people who cheated should be fired from your company, also from your competitor's company. One is [because] integrity is at stake. Two, [because] quality is at stake. [. . .] So, I am very surprised that privacy is a reason not to be aware of anyone in your team being cheating.
>
> Auditor: I do not know, I have not been given the names of the individuals, that is one. And there are other procedures and [internal] notifications from the head of risk in our organization [asking me]: "Is there anything that I need to be aware of [...] that would impair the quality of the audit?" And the answer is: "No." (KPMG at NN Group)

This perceived intransparency exposed auditors to criticism, as shareholders tried to find out how trustworthy the audit firms really were. Accordingly, as outside events became consequential for the AGMs, the Q&A sessions frequently extended beyond the audit process and the audit opinion, as intended by Guideline 1118. Accountability shifted to the auditors themselves who needed to explain how their firms had dealt with training and integrity in the past, but also broader issues relating to firm governance.

To the extent auditors made an effort to respond to shareholder questions and accepted expanded accountability demands, they gained the forum's sympathy. In other instances, such common ground was not achieved, leading to heated discussions. For example, during ING's AGM (KPMG), the tone was predominantly set by the same shareholder that insisted on knowing the name of the engagement quality reviewer. Raising their voice and making personal accusations, this shareholder ultimately asked the auditor to step down from ING's audit. After a seven-minute diatribe that included sweeping criticism of the auditor's conduct and decisions, the auditor tried to address the forum but kept getting interrupted by the same individual:

> Forum (translated to English by translator): You give a limited degree of certainty, but you charge 2.5 million Euros. [. . .] There must be a lot of rubbish in that, because you didn't look at everything. Then I have a second question, within your organization there [has been] fraud in exams for years and years.

I have known about it for a long time because it was posted on the internet. And you must have known about this. You must be in the know, I am 100% sure you are. [. . .] There are more issues with you because your Compliance Officer at KPMG NV also turns a blind eye. It's something he tends to do. You're in good company. [. . .] You are to blame; you are discrediting [ING's CEO] and [chair]. And you knew about this, and you deliberately didn't say anything. [...] It would be far better to say that you hand in your resignation. We don't trust you, your numbers are not correct, and you started by saying that you didn't look at everything. [. . .]

Auditor: I first want to respond to your emotions. I understand you're angry. (Shareholder starts shouting at auditor. Auditor turns to Dutch; translator translates to English.) You refer to fines which KPMG paid. [...] We made a mistake, and we paid the fine.

You make reference to limited assurance: I hope you listened to my presentation in which I also say we give reasonable assurance to the financial statements, we have also done another piece of work, limited assurance on non-financial statements, in line with last year, it's not less assurance than what you're used to. [...]

Despite the strong accusations, the auditor maintained composure but was unable to alleviate the shareholder's concerns. Although the auditor accepted responsibility for the incident on behalf of his firm, it did not go far enough for the shareholder. Eventually, it was ING's chair who intervened: "I understand you are upset, but I want to move on to the next agenda item." This resolution of the situation contrasts sharply with Johed and Catasús (2018), where auditors appeared to cover management, whereas in our case the board stepped in to protect the auditor against a shareholder's ire. Extending Carrington and Johed (2007), we surmise that the board became the auditor's ally in quelling shareholder dissent.

Over subsequent AGMs, the forum's questions seemed to evolve. When it became clear that auditors could not say much about the incident, the questions shifted to the board:

Forum: I have a follow-up question for the chair of the audit committee. [. . .] Did NN insist on any improvement measures at KPMG, so this won't happen again? Also, there will be a new lead partner after [this auditor] leaves [due to retirement] and I wanted to make sure that lead partner also hasn't been involved in that scandal.

Chair: If you don't mind, I will take the second part of that. So, indeed [the auditor] will step down this year, he'll be replaced by [name new auditor]. And as [current auditor] already said, [new auditor] also confirmed he doesn't have any involvement in the answer-sharing situation at KPMG. That was something we were very happy and proactive in confirming.

Chair audit committee: Thank you for your question. Before KPMG shared the outcomes of this investigation, KPMG proactively reached out to us, we had a meeting with KPMG's leadership. The most important thing for us was that the partners involved with NN were not involved and that was confirmed. And as you note, as [current auditor] said, there will be an RCA [root cause analysis], which is very important to us. But we are fully informed, and we will continue to discuss that from now on with [new auditor] in the team. That was a positive response to this challenging topic. (KPMG at NN Group)

As the board broadly expressed their satisfaction with how the auditor and his firm had dealt with the incident, they were able to create additional comfort about the audit. Again, the board appeared to cover the auditor, implying inverted accountability relations. In the same AGM, however, a VEB representative again turned to the board:

Forum: I would like to ask the company itself: since the product that has been delivered, many hours have been billed, but also by people who may not have been 100% up to the level of competency concerned, and especially not [as far as] integrity is concerned, have you demanded a discount of 20%? [Laughter] Well, you're laughing about it, but that's what I am doing when I get a supplier that is not up to speed. If the product is [delivered] but the quality is not [as agreed], this is not appropriate.

Chair: Just to be clear, I was not laughing. [...] I fully understand your interest and somewhat frustration. I can assure you that we have had robust discussions with the leaders of KPMG, both the leaders who have conducted the audit but also the leaders of KPMG Netherlands. I share somewhat the frustration of not knowing who exactly was involved. And at the same time, I appreciate and respect the laws of the country, which limits the information we can get and limits [name auditor] as well. (KPMG at NN Group)

While the chair evaded a direct answer at this AGM, the VEB representative asked the same question at a subsequent meeting:

Forum: This is more directed at the audit committee or the board. Ultimately a huge amount is paid to KPMG for very important work. For that, two things are needed: integrity and competence. And in both areas, we don't know if the team members—they are huge teams, for important work—if it was done by the right people. The hours have been billed, and I suspect also paid. Have you considered negotiating a discount? And there was some laughter at NN, but not anymore. [. . .]

Chair: It's always difficult to say much about the conversations you have with the auditor about the bill. Let me start by saying we have no doubt about the quality of the work performed. The fact that the partners have all made a written statement that they were not involved in this situation has reassured us. At the same time, this is also a company that, with a bit of a Rotterdam mentality, wants to negotiate everything. So, we ultimately had a discussion about the auditor's bill. And maybe it's reassuring that the amount paid is slightly lower than what was initially on the bill. (Smiles at the audience.)

Forum: Rightly so. Again, my compassion to [the auditor] because you have clean hands. But this must of course go beyond just bad publicity. (KPMG at ASR)

Again, accountability relations are inverted, as shareholders demand the company to hold their auditor to account. Letting the client invoke power to lower audit fees is viewed as a positive outcome, rather than undue influence over the auditor, who is hence denigrated publicly. Overall, shareholders appear to hold auditors accountable not solely for their audit work but also for the conduct of fellow professionals at their own and other audit firms. We hence argue that accountability diffused and went far beyond the focal audit and thus the intent of Guideline 1118.

5. Concluding discussion

Agency theory stylizes an AGM as an accountability setting in which the auditor reports to shareholders on its independent monitoring of management (Jensen and Meckling, 1976). By contrast, prior literature characterizes the meetings as routines that entail careful orchestration and actors working actively together toward closure (Carrington and Johed, 2007; Catasús and Johed, 2007; Hodges *et al.*, 2004; Power and Brennan, 2023). Conceptualizing AGMs as routines means that they comprise both ostensive and performative aspects (Feldman and Pentland, 2003). In the Netherlands, the profession's updated Guideline 1118 represents a change of the ostensive features of AGMs, asking auditors for more transparency. To study the performative enactment of the revised rules, we drew on a three-pronged framework of social facts, action-formation, and transformation (Felin *et al.*, 2012; Hedström and Swedberg, 1996). Accordingly, we analyzed 20 AGMs held in 2024 to study this potential disruption of the routine and explore how auditors enact their accountability function at these AGMs.

Our focus on the micro-foundations of accountability reveals that pertinent social facts were brought into the AGMs and became issues of contestation. On the one hand, we find that auditors cautiously enact Guideline 1118 – providing additional information to shareholders while maintaining authority and control. To the extent that auditor presentations moved beyond the audit report, they aimed to reassure shareholders about the audit opinion rendered, rather than offer in-depth discussions of a company's financial statements. On the other hand, we find that two other social facts featured heavily at the AGMs, illustrating how outside developments are capable of penetrating shareholder meetings. We conjecture that these events developed particular force both because of concomitant media attention and because the regulatory scrutiny and associated integrity concerns resonated with earlier pervasive criticism of the audit profession (Detzen, 2024; Humphrey *et al.*, 2018). Accordingly, shareholders seemed perturbed by the AFM's (2024) investigation into Dutch audit firms' engagement quality reviews and the answer-sharing incident that triggered a record fine for KPMG from the PCAOB (2024). As auditors sought to account for this "exam fraud" in their presentations, they blurred the neatly defined roles of agency theory. Doing so not only made them accountability subjects but also disrupted their image as competent and reliable professionals (Guénin-Paracini *et al.*, 2014; Johed and Catasús, 2018; Pentland, 1993). Generally, though, we find that auditor accounts appear to be scripted. This entailed not only the format and styles of the presentations but crucially also the "personal statements" that auditors provided on the answer-sharing incident as well as their responses on being restricted by GDPR to reveal whether team members had been involved in the answer-sharing. This illustrates the profession's guarded approach to enacting the updated professional guidance, which in substance meant adherence to the established AGM routine.

Our micro-perspective also highlights the transformational mechanism, which comprises shareholder-auditor interactions that constitute accountability relations in these meetings. We argue that shareholder associations are the main beneficiaries of Guideline 1118, as they are capable of perusing companies' annual reports and identifying salient technical issues, thus functioning as professional peers (Bovens, 2007). Yet, while additional detail was provided on audit-related questions, this was often done by company boards, rather than auditors. This shows that the roles assigned to auditor and management became blurred, as all actors on the podium shared in the accountability demanded from shareholders, absorbing it collectively. While this undermined the auditor's independent monitoring function, it also contrasts with Johed and Catasús' (2018) finding of auditors saving management's face.

We similarly find a diffusion of accountability due to shareholders' strong focus on other social facts, rather than the audit opinion rendered on the financial statements. This partly relates to "the problem of many eyes," where actors demand different information, apply varying criteria, and pass divergent judgments (Bovens, 2007, p. 455). It was especially individual shareholders that focused on the societal, and hence public interest, role of auditors, rather than technical aspects. This may result from their lacking sophistication in audit matters, as demonstrated by the confusion about the abbreviation OKB (EQCR). Yet the focus on the AFM report and the answer-sharing incident suggests that these shareholders appear to identify issues of importance based on media discussions, effectively judging auditors on their professional appearance (Carrington, 2010). Auditors' shift over time to disclose the reviewer's name reflects their attempt at transparency and at mitigating the pushback received. Notably, though, shareholder associations also chime in with this focus on auditors. While, for individual shareholders, it appears that AGMs were a way to reveal their anger at auditors' perceived failure to serve public interest, shareholder associations rather held auditors to account for the reliability of their audit work. Accordingly, their questions focused on audit team members' involvement in the incident and the way that boards dealt with the auditors. This reveals an upending of the accountability relations decreed by agency theory in that auditors are not seen as shareholders' independent monitor but become accountability subjects that need to defend their membership of a profession under critical scrutiny. The call for consequences beyond the issued fines, such as auditor resignations or discounted audit fees, shows that shareholder trust in the expert system of auditing has been damaged (Unerman and O'Dwyer, 2004).

Overall, we hence observe a disruption of the AGM routine. This was less so due to Guideline 1118 changing the ostensive character of the routine and rather due to the performative aspects that exhibited the encroaching of outside social facts into the meetings. Our focal AGM season thus demonstrated only to a limited extent enhanced insights into the auditor's work, as intended by the Guideline. The observed diffusion of accountability rather casts doubt on whether AGMs produce the ascribed relationships, as we reveal a redistribution of accountability between actors that blurs and inverts these roles. This suggests that accountability is a dynamic process shaped by situational, individual, and transformational mechanisms. Since AGMs are about conveying trust and cultivating legitimacy by way of completing a routine, the disruption observed had to be repaired. This repair was accomplished not by the auditor but by company boards seeking to ensure shareholders they are in control of the situation or, simply, concluding the discussion and moving forward with the AGM. Such quashing of dissent has been described as avoiding accountability (Power and Brennan, 2023) or "accountability-washing" (Brennan *et al.*, 2024, p. 19). Yet we argue that, similar to auditors being part of management's network of allies (Carrington and Johed, 2007), company boards become allies of the auditor when restoring the AGM routine. This implies an absorption of accountability by boards, who shield auditors from further questioning, revealing that AGMs are not just about the auditor and accordingly need to proceed to other matters.

As our research focused on the 2024 AGM season in the Dutch professional context, we emphasize the situational embeddedness of our findings. While this is conducive to a micro-foundations perspective (Felin *et al.*, 2015), it limits our insights to the specific context studied, that is the focal AGM season with the social facts pertaining to it. As accountability relations may look differently in other settings, we highlight the need to investigate other contexts. We also observed links across the AGMs studied, such as adaptations in auditor responses, possibly reflecting internal discussions at their firms, but also the presence of the same shareholders asking similar questions and making references to prior meetings. This suggests that AGMs are not to be seen as single events but are embedded in an AGM season that in turn is embedded in a social and professional context. This implies that our focus on the public appearances of auditors and their questioning should be supplemented by insights into auditors' backstage activities leading up to their encounters with shareholders. Future research could hence draw on interviews to reveal how auditor appearances are scripted, how much leeway they have and want to assume in revealing genuine insights into their audit work, and to what extent they seek to learn from each other in preparing for an AGM.

Notes

1. The Dutch professional institute NBA (*Koninklijke Nederlandse Beroepsorganisatie van Accountants*) represents all certified auditors in the Netherlands, whether they work in public accounting, at government agencies, or in industry. Beyond its representative function, the NBA administers the national accounting credentials and sets professional standards. It also provides guidance for practice to clarify both international and national regulation, such as Guideline 1118 on the auditor's appearance at AGMs.
2. This presence and right to speak at AGMs has since been incorporated in Dutch law (*burgerlijk wetboek*), while auditors' release from client confidentiality has also been legally anchored (*wet toezicht accountantsorganisaties*, *besluit toezicht accountantsorganisaties*).
3. Until the 2013 merger that created the NBA, NIVRA was one of two predecessor bodies of the NBA.
4. The methods used in this study have been approved by the Institutional Ethics Review Board of the authors' university.

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