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AI regulation within auditing?

-The Implementation of the AI Act and its Effects in the Audit profession

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Abstract

Title: AI regulation within auditing?

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Research question: “How is the audit profession adapting to the EU's AI Act and what effects will the regulation have on the use of AI within auditing?”

Purpose: The study aims to examine how the audit profession is adapting to the new AI Act and what effects the audit firms expect that the regulation will result in.

Methodology: The study employs a qualitative method to gain understanding of the practical implications of the AI Act for the audit profession. The data consists of semi-structured interviews made with eight different people from five different companies.

Theoretical perspectives: Institutional Theory, Sensemaking theory

Empirical foundation: The empiricism shows that all examined audit firms have started to analyze how the AI Act should be implemented and what its effects are expected to be. The results indicate that the differences in the adoption of the AI Act can be explained by how far they have come in making sense of the regulation together with the degree of regulations that has to be followed. Additionally, the adoption is influenced by how the firms take inspiration from and collaborate with other companies or groups to disseminate knowledge.

Conclusions: The conclusions that have been made based on the analysis of the empirical material is that legal pressures drive initial adoption while informal pressures and cooperation will shape long-term implementation. Different roles within the audit profession influence how the companies perceive as well as integrate AI systems according to the AI Act. Even though the AI Act will give rise to challenges, it is viewed as a positive and necessary step to control AI development in the audit profession.

1.Introduction

In the study's first chapter, the background of AI is introduced and how AI is used in the audit profession. This is followed by a problematization that motivates why it is a relevant area to examine, thereafter the study's purpose and research question is presented. The chapter is ended with a description of the AI Act and earlier research about AI regulation.

1.1 Background

The use of Artificial Intelligence (AI) has increased significantly in recent years and gained increasing importance for the audit profession. According to Murphy (2017) the use of AI can improve the work provided by the audit profession as the quality of the audit will increase while making it possible for the auditors to finish their tasks at a faster pace and more accurately. Sahota (2024) further emphasizes the power of AI and that the use of AI tools can have a positive impact on the field of auditing. When integrating AI tools more frequently in the audit tasks, it will ultimately lead to a more efficient and effective completion of the auditors work. Even though AI is revolutionary in many aspects, it will not replace the auditors' role completely. AI is more likely to change the future generation of the auditors' role which will result in a new way of working with more highly developed technologies (Sahota, 2024).

Although AI has made breakthroughs in auditing, its development and effects remain unknown and is still under research (Dennis, 2024). The audit process is a complex process that requires careful and time consuming work by each employee (Dennis, 2024). Here AI enables an important skill as audit firms can use AI to streamline their work and expand traditional methods and techniques, something that in many ways promotes both the auditing profession and the quality of the audit reports (Dennis, 2024). AI brings great benefits to the audit and can be used to detect unusual transactions, streamline analysis of large amounts of data and perform risk assessment (Dennis, 2024). The development of technology occurs rapidly in today's society and it is becoming increasingly important for companies to implement and utilize the technology that exists in order to be a leader in the market (Dennis, 2024). Despite this, there are several barriers regarding the implementation of AI within

audit. Surveys show that lack of training, high costs, and the complexity of AI are some of the reasons why audit teams do not fully implement AI in their processes (Dennis, 2024).

AI creates opportunities but also raises questions regarding ethics, integrity and compliance. Auditing stands as a cornerstone in guaranteeing that companies and organizations actively pursue and adhere to legal mandates (Goel & Tejay, 2022). With AI, concerns arise regarding privacy and ethical considerations, given its capacity to access vast datasets and if misapplied, this technology may compromise confidentiality and security. Ensuring continued high-quality audits as a safeguard against corporate non-compliance necessitates thorough assessment of AI utilization and proficiency. The audit work is developed and expanded from previously reviewing the audit to now bearing responsibility for reviewing and training the AI systems (Goel & Tejay, 2022). This task demands significant expertise, necessitating an audit of the AI system to detect and address errors, thus ensuring the ongoing trustworthiness of the audit process.

1.2 Problematization

The absence of a unified AI legislation in the past has led to a need for regulation at the EU level. This push is driven by the need to establish consistent AI regulations and to ensure the responsible use of AI while upholding human rights within the EU market (Digg - Agency for Digital Government, 2024). The AI Act is not developed for a specific industry such as auditing. This brings up questions about how the law will be perceived by those who work in audit as well how it will affect the audit profession's use of AI. Since all industries look different and use different AI tools, the AI Act will have different effects depending on the industry.

It is important to note that there are no specified ways to implement the law, which can create challenges for how implementation will take place in the audit industry. This also results in that the AI regulation's effects can vary between firms in the audit industry. The lack of clarity regarding the implementation of the law can lead to difficulties in following up on compliance in a correct and efficient manner. This law is expected to be complex for businesses, further complicating the issue of how auditing firms will implement and adapt to the legislation (Brånby, 2023). Given the complexity of the law, ensuring that it operates in practice effectively has been crucial, although it still remains to be seen how this will unfold

and what effects it will have. To minimize non-compliance, it is essential for the legislation to be built upon clear guidelines and standards facilitating a harmonized application of the law (Brånby, 2023).

The AI Regulation is in its final stages, indicating that businesses need to review their use of AI to ascertain the specific requirements that will apply to their individual organizations. Initially, it may be crucial for companies to thoroughly examine how they will employ AI in their operations and for what purposes (Regeringskansliet, 2023). Considering that the AI Act is based on a risk system, companies will need to conduct an initial assessment regarding the risk level posed by their AI systems. How this will be practically undertaken by companies and, in this case, audit firms remains to be seen. It is likely that each company will adopt different approaches since the law is not tailored to a specific industry (Regeringskansliet, 2023).

The use of AI requires extensive resources, technical knowledge and financial access, and opens up questions about how this phenomenon should be regulated. AI has previously been unregulated at an EU-wide level, but its use has been governed by the regulations of the 27 individual member states of EU (Regeringskansliet, 2023). Given the scope and enormous influence of AI, common legislation has become more important. Erik Slottnér, Swedish Minister of Civil Affairs, stated in a press release that common legislation between the EU countries would benefit both the individual countries and European innovation as well as lead to improved competitiveness for all parties (Regeringskansliet, 2023).

Given that the law is new and there are few answers on what effects it will have as well as its consequences, it is an area of limited research. This opens up the opportunity to explore and investigate how the law will be adapted and perceived by the audit profession and not least what effects it will have on audit companies' use of AI. Therefore, the aim is to fill this knowledge gap by conducting a qualitative survey to contribute to the understanding of how the EU's new AI Act will be affecting the audit profession.

1.3 Purpose

By analyzing real examples of the integration of AI systems and the EU's new AI Act, this study seeks to understand the practical implications and consequences of regulatory compliance in the audit profession. Through this study, the research aims to provide insights into how this law is adopted by the audit profession and what effects it will have, while considering its wider impact on regulatory compliance regarding AI.

1.4 Research question

“How is the audit profession adapting to the EU's AI Act and what effects will the regulation have on the use of AI within auditing?”

1.5 Description of the AI Act

Lack of joint AI legislation between the EU member states was the basis for the regulation that the EU Commission submitted on April 21, 2021 (Brånby, 2023). In connection with the presentation of the first joint AI regulation, a long-term negotiation between the European Council and the Parliament began. It was reached in an agreement in December 2023 that the AI Act would enter into force even if final details were to be nailed down (Brånby, 2023). The purpose of this AI regulation is to regulate and control the use of AI systems and that a common regulation should apply to all member states. This, to promote the EU market, innovation, create fair competition and protect the rights of individuals (Digg - Agency for Digital Government, 2024). One of the most important features of the law is that, using a risk-based model, it guides the use and regulation of AI systems. The risk model must be used to place AI systems in different compartments where AI systems of high risk will have higher requirements for current transparency and more detailed review (Digg - Agency for Digital Government, 2024). The AI Act also has the right to prohibit certain uses of AI that are deemed too risky and harmful.

The regulatory framework will categorize risk areas into four levels: unacceptable risk, high risk, limited risk, and minimal risk (European Commission, 2024). The concept of *Unacceptable risk* encompasses types of systems that potentially pose too great of a risk or that may threaten individuals. This may include systems that manipulate individuals or classify them into different groups based on personal attributes. Second level, *high-risk*

scenarios involve AI systems that may lead to adverse societal impacts and affect individuals but do not directly constitute a threat (Larsson, 2023). Hence, the law aims to carefully evaluate AI systems proposed by suppliers before they are introduced to the market to minimize the release of AI systems with negative impacts. The third level, which encompasses AI systems falling under *limited risk*, entails lower requirements (Larsson, 2023). Here, the demand for transparency is not as stringent, with AI systems only needing to meet minimal transparency criteria, ensuring that users still have sufficient information about the systems to make informed decisions. Lastly, AI systems categorized as *minimal risk* are estimated not to have any harmful effects on the environment (Larsson, 2023).

The AI Act will be applicable to all parties that use AI systems for professional use. Although the law applies to everyone who uses the AI system in professional manners, it is primarily directed to AI systems for sensitive purposes (Digg - Agency for Digital Government, 2024). The more sensitive areas and purposes concern the use of AI systems linked to making judgments about people's behavior, monitoring individuals and assessing people's values (Digg - Agency for Digital Government, 2024).

Those who fail to comply with the law may face significant sanctions. Non-compliance could result in fines of up to seven percent of the total global turnover, or alternatively up to 35 million euros (Brånby, 2023). This applies to those utilizing AI systems that meet the criteria for unacceptable risk. Other parties affected by the law, in terms of using AI systems considered to belong to the remaining risk levels, may face fines of up to 7.5 million euros or 1.5 percent of turnover if they do not adhere to the law correctly (Brånby, 2023).

1.6 Research regarding AI regulation

Earlier research in the area of AI regulation authors analyzed how EUs AI Act can be used as a unified approach for conducting auditing across Europe (Mökander et al., 2021). In this study they examine the proposed AI Act that was published already in April 2021. The authors highlight the fact that this regulation implies an exceptional achievement as it is intended to present a legal framework for AI that can be implemented by any prominent global economic player. Further it has also brought a significant amount of attention from different regulators, policy-makers as well as businesses all over the world as the regulation is anticipated to also affect the countries outside of the EU (Mökander et al., 2021).

Mökander et al. (2021)'s study resulted in the conclusion that the EU AI Act is an important step in the right direction in order to be able to utilize all the benefits of AI and simultaneously have precautions implemented to manage the risks of using AI systems. The authors argue that in multiple areas there is need for more thorough guidance in order for businesses to implement the regulation effectively. Mökander et al. (2021) emphasize that the AI Act can be perceived as too visionary and that too high expectations can make the regulation difficult to implement. This is in line with Haataja and Bryson (2023) who also point out that the law faced the risk of feeling overwhelming and overly complex, something that would impede its implementation. They highlight that certain aspects of the law would require additional work and expertise beyond their regular duties, potentially making the law feel even more demanding and leading to reduced motivation in compliance. Mihaljevic et al. (2023) also point out that even though the AI regulation is meant to be asserting the quality criteria used as guidelines for the development of AI tools, there is a high risk that flaws may occur when both designing and creating the systems. It is also essential to observe that even though quality criteria are being met generally in the phase of development of any systems, these risks are not completely eliminated.

Further, Diaz-Rodriguez et al. (2023) argue that AI has a positive impact on the auditing process as it increases both the overall transparency and effectiveness. The authors analyze the grounds of regulation and motivate the fact that regulation is essential for reaching consensus within and across organizations. The AI Act here is motivated to consider the different risk levels that businesses are exposed to when using AI. Furthermore, in the study AI Act is seen to have a human-centered orientation which focuses on actual usage and does not put too much weight on technologies and models. This is something that the authors accentuate as a positive aspect of the regulation. In addition, Simbeck (2023) analyzes the AI Act as an important tool in order to ensure that AI systems are certified as well as audited and implies that the new AI regulation will be especially important in situations where AI systems are considered to be high-risk.

Diaz-Rodriguez et al. (2023) additionally highlights that the AI Act most likely will be the primary AI regulation used globally as it includes both the AI systems' risk acceptability and the consumers' trustworthiness. This is in line with the Laux et al. (2024) study which also emphasizes the importance of trustworthiness when it comes to regulating AI. They state that

at the moment there is an important development in AI where various actors are struggling to establish a trustworthy use of AI, this applies to the trust of those who intend to regulate AI but also of those who use it. They also believe that one of the main purposes of the AI Act is to create a trustworthy use of AI, that the law only accepts those AI systems that are within the framework of what is considered accepted. By the AI Act banning the systems that are considered too risky, the law intends to contribute to a trustworthy use of AI (Laux et al., 2024). However, the authors believe that it is not completely straightforward when it comes to establishing a trustworthy use and view of AI. Trust is challenging to establish, particularly for AI tools that lack human attributes. This inherent skepticism towards AI places significant pressure on institutions to implement robust and credible regulations, fostering trustworthiness among both regulators and citizens.

As the use of AI has increased and gained greater importance, both legislators and researchers have considered that oversight and regulation of AI has become more important (Larsson, 2023). Previous research suggests that monitoring and regulation of AI is necessary to minimize incorrect or unethical use of AI. At the same time as the rapid development of AI necessitates joint regulation, former research shows that AI's rapid development also makes it difficult to produce joint regulations such as the EU's AI regulation. Since the development of AI is happening so quickly and is still in a relatively early phase, a lot has to happen in a short time. This indicates that those who intend to regulate AI need to adapt to the rapid development of AI as quickly as to adapt its review and definition. Larsson (2023) was able to state in his research that the proposal that the EU Commission put forward in 2021 was very different compared to how the AI regulation was presented to the Council in 2022 and 2023. Larsson (2023) believes that the rapid development of AI made it difficult to produce a common EU regulation and this was a contributing factor to that the AI Act was taking so long. Although the EU has now agreed on the first joint AI regulation, Larsson (2023) believes that the regulation will continue to be changed and specified as deficiencies in the regulation are discovered as a result of the rapid and complex development of AI. Further, Larsson (2023) addresses the significant challenge of the "pacing problem" associated with AI, which is the difficulty in effectively steering and regulating a subject that rapidly evolves.

Recent research further suggests that defining AI is one of the most challenging aspects of regulating the technology (Larsson, 2023). The definition difficulties may be a hurdle for implementing AI regulations within audit firms, as determining the own AI type and its

classification under the EU's definition of high-risk AI can be challenging. The rapid evolution of AI not only complicates the task of regulators but also impacts users and stakeholders who may be affected by its development. Since development occur quickly and at a pace faster than regulation, it is possible that audit firms can take advantage of this. Larsson (2023) suggests, among other things, that the “pacing problem” and the EU law's elements of self-evaluation, which can be considered how audit firms define their AI use, can lead to the law not being perceived as legitimate. If the law is not perceived as legitimate together with the fact that the law requires self-evaluation and own interpretation, this can mean that audit firms take advantage of it to avoid regulatory requirements. Haataja and Bryson (2023) also address in their study that legitimacy can be a problem. They question whether all requirements and expectations actually are reasonable and relevant. The law will furthermore not be perceived as legitimate if the demands it imposes on users are seen as unrealistic or too complex.

1.7 Disposition

The report will begin with a description and explanation of the selected theory intended to analyze the study's results. After the theory is presented, an in-depth explanation of the study's method will be made. Here the choice of approaches, respondents, data and more will be presented. A methodological reflection of potential shortcomings will also be presented to provide an open and realistic view of the study and its conclusions. After the method is presented, all the results will be stated, which will be the basis for the analysis that is then made. Afterward, a discussion about the study's results and analysis will be made, which will be the grounds for the conclusions reached in this study. In connection to this, proposals for future research will also be presented to demonstrate the potential that the subject has and show which shortcomings the subject's research possesses.

2. Theory

In the study's second chapter the used theories are presented, the theories serve as a framework for analyzing the empiricism gathered from the interviews. Firstly, the choice of theory is motivated, followed by a description of institutional theory and sensemaking theory.

The main theory used in this study is institutional theory. The reason why institutional theory was chosen is initially because the study aims to examine how companies in the audit field are planning to implement and adjust themselves in order to follow the AI Act. Institutional theory can be used to clarify organizations' decision making as well as corporate behavior. As the theory is delineated from three different isomorphisms, these aim to explain the themes found in the interviews. Sensemaking theory is used to analyze the empirical evidence in order to make sense of the organizational change and the implementation of the AI Act. With the help of sensemaking theory, an understanding can be created around why the respondents perceive the AI Act and its effect as they do. Sensemaking theory enables comprehension of how various factors, such as roles and experiences, can influence the respondents' perception and adaptation of the law.

2.1 Institutional theory

According to DiMaggio and Powell (1983) institutional theory explains why organizations do not act and function as rationally as they could. The theory focuses on the influence of social institutions on behavior within organizations and society. Further institutional theory examines how institutions shape and constrain individual as well as organizational activities. Additionally, Meyer (2021) states that institutional theory is an important framework to describe the features of how institutions are assembled. How an organization's behavior and actions are carried out depends on specific institutional settings (Kong et al., 2024). Institutional forces affect how digital technologies are constructed and how developed they are, influencing their ability to implement new AI tools. Also, according to Silva et al. (2024), using institutional theory is helpful in understanding the different networks, interdependence as well as linkages between organizations operating in the same field.

The theory is composed of three different isomorphisms: coercive isomorphism, mimetic isomorphism and normative isomorphism (DiMaggio & Powell, 1983). These isomorphisms refer to the process by which organizations in a particular field become increasingly similar to each other over time. A combination of the three different isomorphisms can lead to that the effectiveness within an organization is increased (DiMaggio & Powell, 1983).

2.1.1 Coercive isomorphism

Coercive isomorphism refers to the pressure exerted on organizations by external forces, such as governmental regulations or societal expectations (DiMaggio & Powell, 1983). This pressure compels organizations to conform to certain norms, practices, or regulations, often regardless of their own preferences or internal structures. For example, organizations may adopt specific practices or technologies to comply with environmental laws or industry standards, even if they perceive these changes as burdensome or unnecessary. Compliance with coercive pressures is often seen as necessary for maintaining legitimacy, avoiding sanctions, or accessing resources (DiMaggio & Powell).

Coercive isomorphisms can both arise from formal as well as informal institutional pressures where organizations thereafter adjust to certain structures, practices or norms (DiMaggio & Powell, 1983). Formal institutional pressures are official or legally mandated requirements that are released by the government or other regulatory agencies. These are normally written down in regulations, laws or standards. Informal pressures are in contrast to formal pressures not as forced. They can be implicit or unofficial that influence organizations's behavior and decision-making. The informal pressures can result from norms, cultural values or professional conventions, even though these are not binding legally they can be powerful in shaping organizational behavior. Therefore, more powerful actors on the market can affect and shape the less powerful organizations on the market (DiMaggio & Powell, 1983). Organizations can furthermore feel pressured by the more powerful organizations to follow these practices in order to feel approved.

Overall, coercive isomorphism shapes organizational behavior and structure by imposing external standards or requirements, leading to a degree of uniformity among organizations within a particular environment or industry.

2.1.2 Mimetic isomorphism

Institutional isomorphism is not solely driven by coercive authority; uncertainty also plays a significant role (DiMaggio & Powell, 1983). Mimetic isomorphism implies that organizations can mirror the approaches taken by other entities (DiMaggio & Powell, 1983). This can be especially visible if an organization is operating in an uncertain environment or are insecure in their decision making. The authors further highlight the fact that imitation is a direct response to uncertainty. Organizations more frequently imitate organizations that are active in the same area as themselves and that they perceive as especially thriving or legitimate, often in a desire to gain legitimization themselves which in turn increases organizational homogeneity. This type of imitation occurs even though there is limited evidence of the effectiveness or efficiency of the adopted practices.

Additionally, the organization that is being imitated may not intendedly desire to be copied and they can also be completely unaware of it. Imitation of other organizations can also be done inadvertently by the use of consulting firms or the transfer of employees from similar organizations (DiMaggio & Powell 1983). When using mimetic isomorphism the similarity between one company and other companies is enhanced which in turn leads to better collaboration and communication as well as being rewarded by others as more legitimate (DiMaggio & Powell, 1983).

2.1.3 Normative isomorphism

Finally, normative isomorphism is mainly concerned with professionalization (DiMaggio & Powell, 1983). Here, professionalization is seen as the collaborative and common efforts of the individuals in a profession to establish terms and techniques of their work. The professionals in an organization have to work with both regulators as well as non-professional individuals.

There are two different types of professionalization that concern the normative isomorphism where the first one is about an individual's education that they have received at a university (DiMaggio & Powell, 1983). The second aspect of professionalization is about the growing networks of professionals that occur outside of an organization's boundaries. In universities and educational institutions organizational norms are developed and individuals who educate themselves often work in similar areas later on in their lives (DiMaggio & Powell, 1983). The

normative isomorphism can become especially visible when organizations are looking for new people to recruit to the company. In some organizations' recruitment processes, it is visible that they are focusing on hiring on a specific type of individuals; they can, according to DiMaggio and Powell (1983) for example, always hire top executives in legal questions.

2.2 Sensemaking theory

Sensemaking theory explains how individuals interact socially and with the external environment while at the same time being able to act and possibly even modify the circumstances to their own favor (Turner et al., 2023). It is a way for employees to try to understand organizational changes to collaboratively determine a future course of action (Weber et al., 2014). Sensemaking theory is therefore used to understand how employees view and perceive organizational change (Lockett et al., 2014). It is a continuous process as the employees continuously strive to understand and adapt to the evolving dynamics of the organization. A key aspect in the theory in order to make sense of changes is knowing the circumstances in a situation which is essential before an individual is able to act on it (Turner et al., 2023). The constant aim is to find new, more effective ways to organize an organization's practices and methods. This in turn can lead to emerging new behaviors as well as established procedures that could give rise to more favorable results (Turner et al., 2023).

Further, Lockett et al. (2014) explain how companies make sense after a change in an organization and that it is dependent on multiple factors such as, individual background, specific roles and distinctive individual context. Sensemaking theory is built on the fact that making sense is an ongoing process that can not be separated from what companies or specific individuals within companies have experienced (Weick, 1995). Sensemaking theory includes the aspect that companies' stakeholders are engaged and affecting the employees' sensemaking. It creates an increased awareness about the expectations and thoughts of external interest groups which in turn shapes how organizational change is embraced (Lockett et al. 2014). Further it can also shape the way individuals understand and interpret organizational change where it guides employees perspectives on organizational reality (Weber et al., 2014).

Sensemaking theory further helps people and organizations to navigate in the complex environment by helping to understand why certain people at certain situation adapt and make sense differently to various changes (Turner et al., 2023). Sensemaking helps in comprehending that individuals are constantly engaged in a dynamic process, continually seeking understanding and validation for their choices and actions. Individuals can, by gathering information and knowledge about one's situation, develop understanding and acceptance for their actions (Turner et al., 2023). Thus, organizations can make sense of organizational changes and adapt to them by seeking understanding from their environment. People and organizations want to be able to support their actions and decisions such as how to embrace major organizational changes. This indicates that they need to understand their situation and what effects and changes it may entail in order to be able to adapt to it more easily (Turner et al., 2023). This can further mean that people or organizations who do not process new or unexpected events much may act and think differently than people who study and prepare more for new challenges and changes.

Furthermore, Jönsson (1987) believes that even people within the same company can make sense of changes differently. There are several factors that are essential when it comes to how people approach organizational challenges and changes. Depending on the role someone has within the company, it leads to different perceptions and goodwill towards the change. If an individual for a long time advocated for a specific change within the company, they are likely to perceive the change more positively when it finally happens. This positive perception makes it easier for them to make sense of the change. Conversely, someone whose role is negatively impacted by the change or who sees it as a challenge will find it harder to make sense of the change. Consequently, they are more likely to have a negative perception of the change that's occurring. Additionally, individuals with expertise in the subject affected by the change will approach the challenges differently compared to roles facing entirely new workloads (Jönsson, 1987). People will also be influenced by social aspects and the attitudes of others in their surroundings, making it easier for them to comprehend a change if they observe widespread positivity among their peers compared to when they perceive conflict. Furthermore, sensemaking theory explains how people with different roles, expertise, and open-mindedness interpret, adapt, and make sense of changes depending on their personal situations.

3. Method

In the third chapter of the study, the method that has been used to conduct the study is presented. First, the research design is described, including the choice of approach, initial literature review and the data collection. Thereafter, the outline of the interviews is explained and how it has been analyzed. The chapter ends with an ethical reflection.

3.1 Research design

In research studies, there are normally two research methods, qualitative and quantitative (Bryman & Bell, 2017). Depending on the type of study, different strategies are more or less suitable. In this study, the authors have considered that a qualitative research strategy is most suitable. A qualitative research method is suitable when wanting a deeper understanding of people and more importance on words than to numbers (Bryman & Bell, 2017). This study aims to gain an understanding of the effects and adaption of the AI Act in the audit profession, analyzing different individuals and roles to include multiple perspectives. A qualitative research strategy gives the opportunity to capture observations and opens up for interpreting the interviewees' view of social reality (Bryman & Bell, 2017). Since a qualitative strategy, in contrast to a quantitative method, is often based on a smaller number of respondents, this also supports the choice of a qualitative research strategy. In the study, no statistical testing of numbers occurs, instead in-depth interviews are held for a deeper understanding.

3.1.1 Choice of approach

This thesis aims to investigate how the EU's AI Act is perceived and how it will affect the audit profession. By interviewing eight individuals from a total of five companies, the authors have been able to gather a comprehensive understanding of this law. Given the significant impact that AI has gained in recent years and the emergence of the first common EU regulation, there was much interesting and unexplored territory to investigate, which formed the basis for choosing this topic. The topic holds global relevance, extending its pertinence to the Swedish context, and warrants attention across all sectors. The auditing profession plays an essential role in ensuring financial compliance, underscoring the necessity to investigate

the impact of AI regulation on auditing practices. AI, characterized by its demand for substantial expertise, temporal investment, and financial resources, its complexity thus affects how the audit is prepared and, to an extent, its quality. Consequently, it is important for both audit issuers and other stakeholders to comprehend the impacts of implementing AI legislation within the auditing profession.

Throughout this essay, the initial approach has been predominantly abductive, a method that has been chosen as it includes the necessary understanding for the study's objectives. The advantages of starting from an abductive approach are that they enable a wider openness of impressions and perspectives during the course of the study. Choosing an abductive approach frees the authors from the constraints normally inherent in a deductive method (Bryman & Bell, 2017). In contrast, beginning with a deductive approach would limit the study to a specific theory, limiting the ability to adapt to new information and perspectives, something that is necessary in this type of study (Bryman & Bell, 2017). There is also the possibility of starting from an inductive approach, which Bryman and Bell (2017) explain is an approach that takes its starting point from observations. Through this approach, generalizations can then be developed, which is the basis for the theories from which the study is then based on. In this research, the authors have chosen to start from a mixture of the different approaches as they enable the best conditions for answering the study's research question and do not limit the authors to any of the methods mentioned. Through this combination, new information that emerges during the course of the study is considered. With the help from a deductive approach, it is possible to base the study on selected theories from the start. Although the study is based on institutional theory and sensemaking theory, no hypotheses have been formulated. However, the selected theories are used together with previous research to analyze the results that the report receives. In this way, it is possible to integrate this new topic with established theory and previous research, which will contribute to answering the study's research question.

3.1.2 Initial literature review

According to Bryman and Bell (2017) when making a study it is essential to start with forming a literature review. In line with this, a literature review is made in the first chapter of the paper in order to get an overview of the subject of AI in auditing and receive knowledge about why the AI Act is timely and relevant to examine. The literature review was completed through the collection and analysis of research articles that have investigated AI and the AI

Act generally or specifically in the field of auditing before. Further this has given the authors enhanced understanding of why the AI Act was decided on initially and find a research gap of interest. The research articles that have been used in the study are peer-reviewed and found on LUBsearch. Other articles and newspapers have been found on trustworthy websites as well as open search engines such as Google Scholar. Keywords that have been used in order to find the relevant articles were: *AI, audit firms, auditing, AI Act and regulation*.

3.1.3 Data

According to Bryman and Bell (2017), it is useful to use semi-structured questions when designing the interview to enable more free answers. By deciding on the questions in advance, the authors have been able to structure them in a way that makes it possible to answer the research question. The questions have been designed in a way that opens up follow-up questions where a deeper and broader perspective is needed. In this way, the study has gained depth and at the same time it has had a clear structure through all interviews to ensure that all interviewees have the same conditions. Through semi-structured in-depth interviews, the primary data that formed the basis of the study's analysis has been narrowed down which made it possible to answer the study's research question (Bryman & Bell, 2017).

Further the questions have been designed based on different subheadings in the form of a presentation of the role of the company, a description of use and view of AI as well as how the representative from the audit firm perceives the EU's AI Act. This is added in the Appendix, table 1. The interviews were ended by ensuring that the interviewee had said everything they found interesting and the interviewee had the opportunity to make necessary additions. Through this, the information conveyed was relevant and trustworthy.

3.2 Interviews

This study has been based on interviews from five different companies with a total of eight people. After sending out the request to multiple people from different auditing companies both in Sweden and abroad, the authors got in touch with the selected companies and people. The choice of including five companies and eight people was a variation that the authors thought was reasonable to get a more general picture, also based on the lack of knowledge in audit firms. To further create a broad picture of how audit firms perceive the AI Act and to investigate what effects it is expected to have, respondents both in Sweden and globally were

included. This has led to interviewing people in Sweden, France, and Belgium. To gain a deeper understanding of how the law affects the audit profession, the authors have considered it important to interview people with different expertise. The authors, therefore, wanted to both interview auditors to focus on gaining an understanding of their current and future work with AI. However, auditors alone risked limiting the general perception and therefore it was necessary to interview people who were experts in regulation, compliance and AI. Most of the interviewees had multiple years of expertise and some had prior experience working at large audit firms. In this way, the authors felt that they could get a deeper understanding in order to answer the research question. To get in touch with the right people for the interviews, it was necessary to search on leading audit companies' websites and then contact the people that were found suitable and interesting for the study. There were several interesting articles found on firm websites and popular media about the AI Act in which there were contact details for what they considered to be their experts in the subject. This made it possible to get in touch with the international respondents.

By interviewing different people with different roles and expertise it was possible to create a broad basis in the understanding of the AI Act. The results from each interview will be presented anonymously, as the respondents had wished for anonymity. Below, a table will present which companies and respondents were part of our study.

Table 1, Interviews

Company	Respondent	Role	Country	Date	Location	Time (in minutes)
A	R1	AI & Regulation Specialist	Belgium	2024-04-16	Microsoft Teams	47:42
A	R2	Auditor	Sweden	2024-04-19	Microsoft Teams	40:23
B	R3	AI Specialist & Tech Risk Leader	France	2024-04-22	Microsoft Teams	45:55

Company	Respondent	Role	Country	Date	Location	Time (in minutes)
C	R4	Auditor & Head of innovation	Sweden	2024-04-23	Microsoft Teams	42:13
D	R5	Auditor	Sweden	2024-04-24	Microsoft Teams	41:14
D	R6	Chief Legal Counselor	Sweden	2024-04-26	Microsoft Teams	45:54
E	R7	Legal Counselor	Sweden	2024-04-25	Microsoft Teams	46:44
E	R8	Chief Technology Officer	Sweden	2024-04-25	Microsoft Teams	46:44

3.3 Thematic analysis of the data

In this study, a thematic analysis method is used to enable the discovery of themes. Bryman and Bell (2018) believe that in qualitative studies it is appropriate to use a coding scheme to find different sub themes and themes within the empirical work. This is suitable as it creates structure and makes it easier for the authors to find common results among the collected data. In order for a thematic analysis to be effective, it is important that the authors pay attention to what the respondents say and note if, for example, similarities and connections arise between the collected data.

Usually, a thematic analysis starts from several planned steps in order to analyze the data collected in such a precise way and find the themes that have been chosen. The study began with all the data being transcribed, which was done by translating the interviews and the respondents' answers into running text (Braun & Clarke, 2006). In this way, it became easier for the authors to analyze the results in a comprehensive and structured way. According to Braun and Clarke (2006), steps two and three are the steps that include the coding of the data. With the help of the transcriptions, the authors of this essay were able to find relevant data

linked to the codes. The codes could then be presented and with help from them, appropriate themes could be connected. In the fourth step, Braun and Clarke (2006) believe that the process should continue with an overall analysis of found themes to try to ensure that relevant themes have been found. The thematic analysis process ended with the authors of this paper carefully reviewing the selected themes to ensure that they had relevance and purpose for the study's conclusion. An example can be found in the Appendix, table 2.

3.4. Ethical reflection

This study employs an interpretive approach with the aim to understand the subjective meanings associated with the perception and implementation of the AI Act in the auditing profession. According to Chua (1986) individuals are constantly interpreting their own experiences and actions but are at the same time also interpreting other individuals actions, for example when they are interacting with each other. This leads to that the norms and beliefs that arise due to the constant interpretation eventually become the objective reality for an individual. As all actions that are performed also have their own subjective significance, it is essential to always put them into context in order to understand the underlying causes. That being said, in reality actions do not occur in isolation and therefore it can not be disregarded that the way that the authors perceive the company's in this study is partly dependent on their own social reality (Chua, 1986).

Further, an interpretative approach indicates that the experiences and backgrounds that the authors of a study have will affect how the results of the study is interpreted. As the authors of this study come from the same cultural background as well as educational background they can have similar interpretation methods. Additionally, as the authors have studied at the same university, both bachelor and master level studies, the lens through which to view information can resemble each other. This can in turn mean that they have created themselves a comparable social reality with similar beliefs and norms. If the authors that conducted the study had other experiences as well as backgrounds, the results could have been interpreted differently.

However, one aspect that further should be mentioned is that the authors of this study have no motive or intention to influence the results. This makes the study's final results more objective and trustworthy. Further, the answers gathered from the interviews are anonymised

which makes it almost impossible to track from what company and person a specific answer came from. When interviewing the examined respondents, their answers have been recorded in order to be able to transcribe the material afterwards. This is something that all participants have been informed about before the interviews. After the thesis is handed in and gets a passing grade the audio files as well as the transcription documents will be deleted. During the time before they get deleted, they are stored safely and only the authors have access to them.

4. Empiricism

In chapter four of the study, the collected empiricism gathered from the interviews is presented. Firstly, the examined companies' general use of AI is presented followed by information about the AI Act, effects of AI regulation, audit firms' perception about the AI Act and finally the institutional impact.

4.1 Use of AI

All of the audit companies that have participated in this study have stated that they use some kind of AI systems within the companies and that the use of AI in their everyday work life constantly increases. R1 describes that they have used AI systems for seven to eight years, for example within aspects such as document intelligence, collecting data and in their work with sustainability. Also, R3 states that Company B was an early adopter as they have used AI systems since 2017. Company B uses AI systems both internally and for their clients, starting with machine learning tools but have developed generative AI the last year. In contrast to this, Company E has used AI systems to quickly notice anomalies in their IT-environments for approximately three years.

Further on, R2, R4 and R5 explain that a lot of emphasis in the use of AI has been assigned to developing an internal AI chat function. The respondents mean that the chat function has the same foundation as for example ChatGPT but is restricted to only using it for sensitive company information that therefore can not be seen by the public.

“If public chat functions such as ChatGPT were being used, confidential information could be spread on the market and which would stand in conflict to both established and agreed-upon confidentiality agreement, that is just not possible”.

(R6)

The overall perception in Company A, C and D is that when using AI in a chat function, a lot of administrative work can be avoided or at least decreased and therefore more time can be spent on analyzing the results. When the chat is used, the employees are able to ask the AI

chat questions where they get an answer based on their own methodology. R4 thinks that Company C's chat function has an excellent setting as the answers that chat function gives the employees always connects it back to the original document which makes it easier to find references and see where the information has been taken. However even though R5 perceives the chat-function as something positive, R5 says that:

“the employees within the company are not allowed to process customer information through the chat function according to the regulation GDPR which limits the possibilities significantly”.

The general impression is that almost all respondents that have been interviewed think that AI has affected their everyday work life in a positive way even though most companies still think that the development is only in the construction phase.

“It helps people to do what they are doing more effectively and efficiently”.

(R1)

R3 agrees and explains that generative AI has increased the productivity of many tasks, such as preparation, credential search as well as people search. Also R8 and R7 correspond with R1 and think that IT-security is strengthened due to AI. On the other hand, R4 and R5 think that the use of AI and its effect on their everyday work life is more connected to the administrative tasks and even though it is a part of the tasks of an auditor, it is according to the respondents not directly related to the final audit report.

“It is a lot about helping to write an email, translate emails from Swedish to English and spruce up the language etc”.

(R5)

The respondents from all companies think that there are problems with AI and limitations in its use. One common theme is that the companies perceive that there are difficulties in knowing if the information generated from AI is reliable and the risk of AI producing new information, something that R3 refers to as “AI hallucination”. R4 highlights that AI is not used for final decision making, only for support, it is always a human that is making the closing statements.

“AI is like a black box, it is hard to track where and how conclusions have been drawn by AI systems”.

(R5)

Further, if AI systems are not trained correctly they can miss essential information and lack in quality, therefore R6 thinks that it is important with regular and strict training of AI systems. One fundamental aspect that the companies think is an issue with the use of AI is the “pacing problem”, that the development is happening so quickly that it is difficult to keep up. It can make it more difficult to ensure that people understand how to use the technology in an appropriate way, something that is highlighted by R1.

“I would be hugely surprised if the pace is actually going to slightly decrease in the near future”.

(R1)

In addition R2 also perceives that the development of AI systems lately has gone increasingly faster.

“In some aspects, things were better back then when we wrote everything with pen and paper in peace”.

(R2)

R4 further points out that all development that is happening with AI takes time to implement in the company which per se can be a barrier in trying to keep up with the pace.

4.2 AI Act

The interviews showed that virtually all respondents were aware of the EU's new AI Act. However, there was a significant difference between how informed they were and how much they had begun to adapt to the law. R6 said that they had followed the development of the law for a longer period to be aware of the law's development and requirements. Further, R6 said that they were more worried about the law during the time it was presented, but that now that

the final requirements of the law have been finalized it is not something they are currently working on especially much.

“We have been monitoring the AI Act and its requirements for a longer time. For our part, we have been more nervous during its development because we did not know how it would affect us. But now that we have seen the requirements of the law and realized that it will not affect us too much, it is not something we are working on as much at the moment.”

(R6)

R6 also said that they met with other representatives from other companies with like-minded roles to discuss the meaning of the law. Here, however, R6 said that there was a big difference between how the different companies were familiar with the law and said that the company R6 represents was more informed about the law and its impact than many others.

The interview with R7 and R8 from Company E meant, unlike R6, that they had not started working with the AI Act very much, but that they were familiarizing themselves with the law's requirements and scope. Company E said that once the law comes into force they will have to work more closely with it. R7, however, stated that they will not do anything specific about this particular law, but as with all new laws, they need to follow up and educate about the new requirements. From the interviews with R2, R4, and R5, it can be understood that they were aware that the law exists and that it is something that the companies follow and work with. However, they found it difficult to explain in more detail how the companies work to adapt to the law. They said they expect their companies to work with this new law but that their roles limited their knowledge and visibility into details regarding how they work to comply with the AI Act.

The interviews with R1 and R3 came from the companies that have worked with the law and its compliance the longest. R1 said that they have been working with the law for about two to three years and they have a "high-level expert group" that works to ensure that their use of AI is ethical and that they are constantly updated on the AI Act and its requirements. Further, R1 states that in the middle of last year, they developed a project that would work even more specifically on getting ready for the law to come into force soon.

“As mentioned, we've been on a journey, starting to think about our principles and if we are operating ethically based on these laws requirements already two to three years back. Looking at things like the ethics principles also from the high level expert group, preceding the direct development of the AI Act. Also in the middle of last year, we started a direct project to get ready for compliance with the AI Act.”

(R1)

Furthermore, R1 explains that the most important thing for them now is to ensure that they follow the law and to take an inventory of the company's AI to specify under which risk classification their AI use is based on the AI Act risk system. R1 says that they have a task group within risk management that is building out the governance framework. Company B also has been working for a long time to ensure that they can ensure compliance with the law. R3 explains that they have had specialists following the law and getting the company ready for when the law comes into force. The work partly consists of ensuring that all the company's AI systems are correctly classified and complies with the requirements of the AI Act. Furthermore, they work to draw the attention of colleagues and employees to create awareness about the scope of the law and how to adapt to it.

4.3 Effects of AI regulation

The interviews generally show that the effects of the AI Act will not be of any extensive degree nor negative impact on audit firms and their use of AI. However they state that the AI Act will have a big impact on AI and how it is used in society overall. All companies say that they do not see any major difficulties in aligning their AI practices with the requirements of the EU's AI Act. They further believe that the type of AI used in auditing is very limited and does not fall within what the AI Act classifies as high-risk AI. Company B said that they did not see any difficulties in aligning their AI with the requirements set by the AI Act but that it was important that they ensure that the law did not limit their innovation.

Company A believes that the challenge that exists around aligning their AI practices with the requirements of the AI Act is about making sure that they have evaluated all the AI tools they use so that they do not miss any criteria. Further, Company A says that this is something they would have done even without the requirements of this law.

"But in principle, pretty much all of the steps of what the AI Act is asking for are things that we would want to be doing anyway because it is really all about good quality management of the AI system".

(R1)

Company D stated that they do not see that the law will have any major effects on how they work with AI in auditing, and further do not believe that the law has a noticeable or negative effect on innovation regarding AI in auditing. They explain that the law will of course contribute to guidelines for which AI is developed and used, something they perceive as positive. However, Company A does not think that they will have any problems finding a balance between creating innovation in AI and at the same time complying with the law.

"I think for a firm like us, that is less of an immediate issue because, on the one hand, we are operating in heavily regulated spaces anyway. So, as there were already regulatory requirements, you could not just innovate in any direction that you wanted to do anyway".

(R1)

All companies have highlighted the fact that auditing is already a highly regulated area and they are governed daily by several laws and regulations. This implies that they are already used to adapting to requirements and guidelines. All companies therefore believe that an additional law, especially what the AI Act includes, does not stand out or come with new requirements that will have any major new impact on the audit profession and their use of AI.

Company E however highlights the fact that the law risks inhibiting development and innovation in AI. They highlight that, as with all laws, there is a risk that the development of AI slows down, which they consider to be one of the biggest risks with the AI Act. Although they highlight the fact that there is some concern that the law will inhibit their innovation around AI in auditing, they say at the same time that they are not of such nature that it will have a direct negative impact. R6 från Company D on the other hand states that the law will only have a positive impact on the innovation of AI within audit as it will stabilize the rapid development that is taking place. R6 says that the law is necessary and will be part of creating AI systems that do not harm, therefore the law will not affect the company's development of AI in a negative way.

All companies explain that they believe that the law comes at the right time and is necessary in order to keep the development of AI under control. Although the law may lead to the development of AI being limited and slowed down to some extent, all companies believe that the effects of the AI Act will not have any major effects on their innovation and development of AI tools in auditing.

During the interviews, it was also discussed whether the companies believed that the EU AI Act will impact the skill sets and training requirements within their organizations. Company A meant that the AI Act per se is not going to change the training requirements. R1 said that there is a lot of work that needs to be done when it comes to updating and training to help people better understand how they use AI in an ethical and legally right way.

“This has more to do with making sure that people can use the technology appropriately and especially that they use the technology with a constructively critical eye. We can not have people blindly relying on the outputs of AI systems and then signing off on an audit or giving advice to other companies without having made sure that they agree with the outcomes.

However, this is not something that the law per se affects”.

(R1)

Company B also believes that the law will not affect the knowledge and skills that auditors need but require being up-to-date on technology and how it should be used.

“AI is a major challenge for many organizations. To increase the skill level of our people and the regulation is part of the program, but it is not only the EU AI Act but also other regulations influencing the skills and requirements needed”.

(R3)

R4 from Company D explains that after seven years in the field, a clear shift can be seen in the required competencies compared to when R4 started. Currently, newcomers need to hone their skills in data management, especially with AI coming into play. If dealing with generative AI, there has to be an understanding of the mechanisms inside out and be able to leverage it effectively. That is why there is such a pressure for education in this area. R4 says that they fortunately already have internal training sessions focused on AI and generative AI. R4 further says that in the same way that they need to develop their knowledge of technology

and AI in their work, they will also need to ensure that they are up to date with what the law says. Further R6 from Company D said that they did not see that the law itself would affect what skills and training are needed for the auditors, but that as with all advanced technology, training is needed for it to be used correctly. This was something that both Company C and E explained, that the law itself would not have any direct impact on the auditors skills but that it was more about the fact that they constantly need to develop their skills to keep up with the technological development that exists and to ensure that the quality is always high.

4.4 Audit firms' perception of AI Act

R1 and R2 from Company A explains that the AI Act serves as a crucial reference point, clarifying definitions and procedures related to data quality. It establishes a common baseline, not only within their company but across all firms. However, for audit purposes R1 further explains that additional considerations beyond the AI Act are necessary, particularly regarding the financial sector regulations, focusing on model risk management and business sustainability. While the AI Act prioritizes individual rights over business impact, auditing also evaluates financial stability and trustworthiness in reporting. Therefore, while building on the AI Act, there's a need to address specific audit requirements. R1 concludes by saying that overall, the AI Act provides a foundational framework but requires augmentation for comprehensive audit practices.

However, Company B, C, E and D explain that they do not believe the law will directly affect the development and adoption of AI tools in the audit sector. They believe the law is important and necessary for the general use of AI, but claim that the AI tools they use in auditing will not be directly affected by the AI Act. R6 for example explains that they believe that the majority of existing AI tools within the audit will not be covered by the EU's AI regulation. Further telling that they believe that the regulation will not have an impact on the use of AI in auditing, especially not on statutory auditing in the coming years. They may expect a greater impact in a couple of years but consider the current use of AI in auditing to be limited. However, both R4 R5 and R7 highlight that the law will affect the use of AI in auditing in such a way that one is forced to become more aware of how to use AI and the law creates a better understanding of what type of AI is considered arbitrary versus risky. They state that the law will make employees more critical and pay attention to how they use AI and what consequences it may have for the quality of auditing.

All companies and respondents state that they have a positive view of this law and state that they think it is important that there is a law regulating AI. Consistent with the interviews, however, is that they do not believe that the audit industry will be particularly affected by this law as their AI use is already very limited due to other laws such as GDPR and the Auditors Act.

"I think it is positive that this law is coming and I think that legislation like this is needed to keep the AI development in control. However, I do not consider it to have a major impact on the specific use of AI in auditing and therefore no direct consequences on the auditing industry in particular".

(R6)

Furthermore, R1 from Company A said that even though he thinks the law is positive, it also comes with challenges.

"I generally view the law positively, although some areas may need improvement. As we implement it, challenges will arise, especially regarding harmonized standards and the availability of skilled personnel within regulatory bodies. Ensuring qualified individuals will be a significant challenge."

(R1)

During the interviews, the companies were asked whether they perceived the law as legitimate, both if they thought the law felt relevant and credible, but also if they think that their legitimacy with customers could be strengthened by showing that they adapted to the law. All companies indicated that they see AI regulation as a means of increasing the legitimacy of the company. By complying with the regulations and having a clear governance structure and quality control processes in place, the companies can increase confidence in its products and services. They stress the importance of properly implementing the regulation and developing high-quality technical standards to strengthen confidence in the technology. In a time where reliability and trust are increasingly important, especially when introducing critical technologies, quality control is a central part of avoiding major consequences.

R4 from Company C highlights, however, that they are expected to comply with all laws and that compliance with this law would create additional legitimacy is doubtful. However, Company C believes that if they show that they take the law seriously and show that they have a clear framework for how they adapt to the law and how they use their AI tools, it can lead to extra trust and legitimacy among customers. R6 from Company D also highlights that the law is not only legitimate and trustworthy. R6 indicates that they do not consider the AI regulation to be easy to understand and not completely relevant in its requirements. R6 points out that the regulation is difficult to interpret because there is a lack of preparatory work and interpretation data that are normally available for Swedish laws.

“I think that all these acts are difficult to interpret. There is simply no interpretive data. If you want to learn or understand a Swedish law, there are preparatory works you can refer to. There are no preparatory works here. It’s just straightforward. You try to interpret it as best as you can. All these EU Acts are supplemented with interpretations from various institutions that have a role in issuing guidelines. And it’s too early for that. “

(R6)

Overall, R6 seems to be unsure about the status of the regulation and its practical application and therefore believes that the law is not only legitimate and trustworthy but also has limitations.

4.5 Institutional impact

All of the interviewed respondents indicate that they believe that their respective companies are doing some collaboration with other companies or in teams with people from other companies. Some respondents are more sure than others. R3 says that it is not something that can be answered as it in that case happens internally and not always with direct purpose. R1 points out that Company A is doing a lot of collaborative work with other companies involving development and deployment of AI tools, such as Microsoft and IBM. Further, R1 describes that there is a coordination group with different audit firms that focuses more on audit standards. If Company A would be in a situation with increased uncertainty, they would look outside of the company, talk to their technology partners as well as make use of their engagements with academia to get inspired and access to additional knowledge.

“I am 100% sure that we are looking at other firms, but nothing that gets talked about”

(R2)

R4 has a collaboration between different offices around the world within the same firm and among others. They have an AI working group where they discuss ideas to get inspired by each other. R5, R8 and R7 say that their companies do not have any collaborative work with other audit firms as they are competitors. However they all state that as much of the work performed by them is similar to each other, there will still be some inspiration taken from each other. During the interviews at multiple occasions all respondents asked the interviewers what the other companies had answered and were interested if someone had answered completely differently and if so, what they had answered.

Other than the upcoming AI Act, all of the companies explain that there are a lot of other regulations and norms that affect the usage of the AI tools. The most common answer is GDPR and R3 says that GDPR in many ways is seen as a constraint in the use of AI tools. R1, R4 and R6 also says that all rules or laws regarding audit will also affect the use of AI as well as the Digital Service Act provided by the EU. As there is a risk of sensitive information leaking when using AI systems, Company D can not use AI if it involves sharing the customers' personal data.

It also becomes clear when interviewing the eight different respondents that there are other aspects and stakeholders that affect their usage of AI tools. R4 mentions that one aspect that affects Company C is that they always want to develop and perform their working tasks better with higher quality. If they are able to make sure that efficiency is increased they make sure to maintain profitability and at the same time are able to get rid of repetitive and tedious tasks. R6, R7 and R8 also point out that their use of AI in the companies is highly affected by their customers. R7 says that when they request proposals, there is almost not a single one that does not include at least some use of AI.

“Most customers are positive towards our use of AI and actually often expect that AI is used in a particular matter as it can make the work process faster and potentially less costly for the customer”

(R7)

R6 additionally believes that as AI is developing and is becoming increasingly more used, Company D will eventually have to take charge based on the value of the work instead of time spent on a specific project. This is according to R6 mainly because they have to keep being profitable and not lose money because of how much more effective the work is carried out with the help of AI.

Overall, it seems like most of the companies perceive that the usage of AI tools are affected by laws and regulations. However R1 points out that the internal use of AI is not affected by regulations to a high degree as much of the work that they are doing, such as document intelligence within audit, is not really touched by the AI Act. Further, R4 says that in the long term the effects of regulations on the use of AI will be more evident than they are at the moment. In the short term, as Company C is still in early stages of using AI within audit, the effects will not be as big. R5, R6, R7 and R8 think that the effect of regulations on the use of AI in auditing is significant.

“All in all the impact is 99%, absolutely, 110% even, if I am allowed to say so, no, but it is really much”.

(R7)

R8 and R7 further explain that it is due to the fact that the audit firms are highly regulated that hinders the development and use of AI systems. When the respondents get a follow-up questionnaire due to this comment, they say that if there were not so many regulations, they would be able to use AI in a much broader way than they are doing right now.

5. Analysis

The fourth chapter of the study includes an thematic analysis of empiricism. The data collected from the interviews is connected to different themes and thereafter explained and analyzed from the three isomorphisms in institutional theory and finally from sensemaking theory.

5.1 Institutional theory

Institutional theory can be used to explore how institutions shape organizational behavior (DiMaggio & Powell, 1983). The theory provides a framework that can be used to analyze how the AI Act will be implemented in the audit profession and how it will influence the practice of auditing. Firstly, coercive isomorphisms can be useful to understand how the auditing profession is affected by laws and regulations, in this case the AI Act (DiMaggio & Powell, 1983). The coercive isomorphism is also used to understand how big of an impact the law has on the firms' operating in the auditing field and their everyday use of AI systems.

Further, mimetic isomorphisms help to understand if audit firms are cooperating with each other, copying or getting inspired by other firms operating in the same field (DiMaggio & Powell, 1983). This increases the understanding of how affected the companies are by their competitors and if it is possible for them to work with one another in order to understand the new EU AI Act or AI systems in general. Finally, normative isomorphism is analyzed by how knowledge is spread in the examined companies and how they may find new possible working areas with AI. Factors such as experience and education are analyzed in order to understand this. Institutional theory is a suitable theory in the report as it aims to explain why companies start to work more similarly with other companies on the market (DiMaggio & Powell, 1983). Furthermore, this makes it possible to more comprehensively make conclusions about what the general perception and adaptation of the AI Act is among the auditing profession operating in Sweden and in the EU.

5.1.1 AI Act requirements

Coercive isomorphism is when more powerful actors and organizations set rules and laws that other companies have to follow. This also applies to norms and informal rules that companies can feel obligated to follow (DiMaggio & Powell, 1983). It can be seen that all companies in some way have adapted to the EU AI Act, even if it differs greatly between how much they have started working with the law. There are both formal and informal pressures that companies can be affected of and when analyzing the interviews, it becomes clear that both informal and formal pressures have affected the way the audit firms have adapted to the law.

DiMaggio and Powell (1983) explains how formal institutional pressures normally are legally mandated requirements coming from regulatory agencies, which can explain the fact that all companies in some way have adapted and started working with the requirements from the AI Act. It is clear that the companies feel a coercive isomorphism in the form of formal pressure to follow up on the government's new regulation. This is done in order for the audit companies to avoid the consequences that may arise in the event of non-compliance together with the fact that the well established audit firms want to maintain their legitimacy. However it can be seen that there is a lot of difference between for how long time and how much the different companies have worked with the AI Act. DiMaggio and Powell (1983) explain that informal pressures, such as norms and expectations, can shape organizational behavior and actions. Therefore, the varying progress among different companies in implementing the new AI Act can be attributed to these informal pressures as we can see that there are non legally requirements that have affected the depth of the adaptation to the AI Act.

As two of the respondents have roles directly related to the development of AI and regulation in auditing, they perceive other informal pressures, such as expectations and requirements from the external and internal environment than the other respondents that more specifically only work with auditing and regulation. This can be exemplified when R1 from Company A explained that they had been working with adapting to the law for about two to three years and that they also have a "*high-level expert group*" that specifically has been working with ensuring the company comply with the requirements of the AI Act. Also R3 explained they had been working with adapting to the law for a longer time than the rest of the respondents explained. There is still a lack of knowledge regarding the AI Act among the other

respondents, which can be explained that they do not yet feel any strong informal pressures, something that may arise later on after the regulation has formally come into force. DiMaggio and Powell (1983) also state that organizations can be influenced by other strong actors on the market and further act like them in order to create trust and be approved. It is therefore possible that the interviewed companies that have not yet worked so much on adaptation to the AI Act may feel more informal pressures to act later on when it becomes clear that other significant audit firms have adapted in more depth.

When analyzing the empiricism it also is evident that R6 thinks that formal pressures are more crucial. Even though they followed the law development for a long time, the requirements of the AI Act did not meet the high expectations they thought the regulation would have. When they realized that the company would not have a hard time adapting to the law, there was not as much focus put on preparing for the implementation. As a result, as the law is still in the starting phase of implementation, companies can have a hard time perceiving informal pressures. When more companies adapt to the requirements of the AI Act and it becomes the norm to work more extensively with it, informal pressures will arise both externally and internally in companies. This will in turn lead to more uniformity among companies and the ones that do not work with implementing it might risk losing credibility.

The empirical results have shown that all companies mean that their legitimacy will be noticeably affected by complying and adapting to the AI Act by explaining the importance of properly implementing the regulation and developing high-quality technical standards to strengthen confidence in the technology and quality. Coercive isomorphism suggests that many companies seek legitimacy to gain public trust and to avoid sanctions (DiMaggio & Powell). This can further explain why all auditing companies adapt to the law and see the law as something positive. The interviews have shown that all companies have a positive view of the law, which can be a way of conveying to outsiders that they want to adapt and be in line with legal requirements and cultural norms. Coercive isomorphism implies that organizations can adapt to specific practices to comply with laws and regulations even if they might see them as not necessary or burdensome (DiMaggio & Powell). While many companies express a positive view of the law and don't perceive it as a hindrance, acknowledging only a slight potential for stifling innovation, there's also the possibility that they aim to present a favorable image by embracing the law. This strategic approach could enhance customer trust, rather than suggesting that compliance with the law might have adverse effects on the

company. The audit firms can therefore create this positive image of the law and convey the importance of adapting to it in order to maintain their legitimacy and to strengthen the confidence both of clients and of the judiciary. Another intriguing insight related to this is what R6 from Company D shared. R6 indicated that they didn't view the AI Act completely legitimate itself or entirely comprehensible, especially citing insufficient preparatory work. Nevertheless, they maintained the belief that as a company, they could establish legitimacy by adhering to the law, which could be explained by coercive isomorphism as an organization wants to gain legitimacy by complying with regulations even if they don't perceive them as totally understandable (DiMaggio & Powell).

R4 however, highlights that it was doubtful whether their legitimacy truly increased due to this specific law since they are perceived to comply with all laws. This can also be explained by formal institutional pressures as they argue that it is obvious that they always adhere to laws, and an additional law does not directly affect their credibility. This could actually have been another way for R4 to strengthen their legitimacy by clarifying that they are a company that consistently follows laws, which can be seen as a means to comply with coercive pressure.

5.1.2 Inspiration during uncertainty

Mimetic isomorphisms can occur when companies directly imitate other companies that they perceive are doing something exceptional or indirectly through employees with backgrounds from other similar companies (DiMaggio & Powell). The results indicate that the various respondents and companies sometimes search for inspiration and learning outside the company when facing uncertainty. It is evident that some companies have direct collaborations with other groups within the same organization in other countries or external audit firms. This becomes especially clear when the companies are in uncertain situations such as the one regarding the implementation of the new AI Act. Some of the companies have a hard time saying if there is any direct collaboration or inspiration taken from other audit firms but are certain that some imitation could be happening indirectly. It was also noticed that the interviewed companies did not want to directly say that they get inspired by their competitors, even though there were aspects that indicated it, such as they in passing said that some inspiration probably occurs. As many of the interviewed companies expressed that the effects of the AI Act will not be substantial in the coming years, they are not in a noticeable uncertain situation yet. Therefore, more imitation regarding adaptation to the

regulation could take place when the AI Act actually has come into force and companies start facing more significant challenges.

Imitation of other firms can also occur inadvertently when employees transition from comparable companies (DiMaggio & Powell). The interviews showed that R1 and R7 previously worked at other audit companies where they had similar roles as they currently have. It is therefore likely that they brought inspiration and lessons from their earlier work and workplaces. This can in turn lead to that they bring in former experiences and methods into their current work practices. As a result this could potentially increase the chance of companies working more similarly which can promote further collaboration as well as being perceived as legitimate. Therefore it is possible to analyze that mimetic isomorphisms were present and may have contributed to the strengthening of the similarity between the audit firms and their adaptation to the AI Act.

Additionally, mimetic isomorphism arose during the interviews where the respondents wanted to have confirmation from the interviewers about if they were answering in line with the AI Act. Probably in an effort to get inspired about other companies' working methods with the implementation of the AI Act and make sure that their own techniques and practices did not differ from how others had perceived the regulation. As the respondents were aware that other audit firms were also being interviewed, the authors felt that the respondents were seeking confirmation to ensure their answers were consistent with those of other companies.

5.1.3 Exchanging knowledge

Normative isomorphism can be seen as the education employees in the company have as well as networks consisting of professionals which extends beyond the company's boundaries (DiMaggio & Powell). When analyzing the empirical evidence it becomes clear that it is possible to see normative isomorphisms in some of the companies. It can be seen that Company A is facing an uncertain situation, therefore reaching out to different universities and academies to get help. This is a way of making use of the expertise and knowledge that individuals receive during their education at a university. As the professors constantly are teaching out new approaches and practices for example regarding new regulations, the employees at Company A can get valuable insights and inputs into their work. Since the implementation of the AI Act creates a new situation where companies have to interpret a

new approach of using AI, this contact can create a beneficial situation for Company A and is therefore a result of normative isomorphism.

The empirical material shows that normative isomorphism in the form of growing networks of professionals outside of the organizations' boundaries can be found when analyzing what R6 said. R6 explained that the person in question met with other representatives from other companies with like-minded roles to discuss the implications of the law. R6 explained that they occasionally met to discuss and exchange knowledge and thoughts about the AI Act, something that was especially important now that the law is at an early stage. This is an example of the companies being influenced by normative isomorphism as they want to exchange techniques and knowledge to initiate common practices and norms. As said, R6 thought that Company D were at the forefront of the implementation compared to the other representatives that were present during the meetings. However, even though R6 felt this way, there could be situations later on where uncertainty will arise and then exchange of knowledge with other experts in audit firms will be beneficial for them too.

5.2 Adapting to change

The sensemaking theory suggests that organizations make sense of changes within organizations by understanding and processing the shifting external context (Lockett et al., 2014). Making sense of the changes that the AI Act implies that an organization is able to decide on a future course of action (Weber et al., 2014). Sensemaking theory is used to understand how the respondents in the examined organizations perceive the effects of the regulation and what their perception can be based on. The theory can be applied to all companies, as they explain their views on the AI Act by considering the need for AI regulation and assessing its potential impact on their organizations

All interviewed companies perceive the AI Act as something positive and a necessary regulation considering how much AI tools are used at the moment. From the interviews it is also clear that the respondents think that the use of AI is constantly evolving and therefore there is a need for a regulation that can control this development. It becomes evident that some respondents think that the need for a regulation is more essential than other respondents and also perceive the effects and the regulations differently which can be analyzed from the sensemaking theory.

Further, companies can make sense of changes within organizations in different ways depending on their roles and backgrounds (Jönsson, 1987). This can be a result of personal experience that an individual has experienced earlier in their work life, prior roles or if they have been employed in another organization (Jönsson, 1987). As the theory suggests it can not be excluded that these factors have an effect on the companies' sensemaking regarding the new AI Act, it is relevant to analyze the interviewed respondents' backgrounds. It is evident that when analyzing the empirical evidence, all respondents in the interviews had some knowledge about the AI Act. However it became clear that some respondents were not able to answer the questions regarding the AI Act as thoroughly as some of the other respondents. This was analyzed to be especially clear as R1 and R3 were the respondents that had the most knowledge about the regulation. Due to their roles, as AI and regulation specialists, and their long experience within the field, they could foresee how the regulation would affect them both on short term as well as long term.

As R1 and R3 had been processing the AI Act and its effects on auditing for a longer time than the other respondents, it became clear that they had come further in the process of making sense of the regulation. They were aware of the circumstances of the regulation and were therefore also able to act on it to continuously work with finding the most relevant and efficient way to implement the AI Act. However it can also be understood that as R1 and R3 have roles directly related to AI and regulation, they will perceive the effects of the AI Act and how it should be implemented faster and earlier than the respondents with other roles. This can in turn also be an explanation to why they are positive to the regulation and would even have wanted to have seen it come earlier.

The role's influence on how the respondents perceive the effects of the AI Act on auditing could also be analyzed and explained by sensemaking theory as R6, who has a role connected to legal matters but not directly to auditing, has a different view on the regulation than most other respondents. R6 thought that the effect of the AI Act on auditing will not be as noticeable and not as relevant as in other fields. Therefore R6 also indicated that there does not have to be much work done in the auditing field to prepare for the regulation. An explanation to this could be that even though R6 works with compliance, there was no direct connection to auditing in R6's role which could affect the way the respondent perceive the effects and how R6 is making sense of the change. Even though some of the other

respondents with auditor roles said that the effect on auditing might not be severe during the first years after the AI Act has come into effect there will be adjustments and work that has to be done in order to implement the AI Act.

When the interviews were conducted it became clear that many respondents did not have much experience of the AI Act yet, such as Company C who stated that they will not be able to notice any drastic changes in the beginning. When analyzing the material from the interviews it can therefore be understood that they have not been processing the AI Act for enough time in order to make sense of the regulation. As a result of this, it might mean that they do not know how they actually will implement the regulation nor foresee its effects. An evidence to this is that the respondents that have worked with the regulation for multiple years also have been processing the regulation for a longer time and therefore are able to foresee the effects and understand how to adapt to it, therefore a result of how the sensemaking to changes can be affected by roles and expertise. This can also be an explanation that both Company A and Company B thought that the AI Act will not lead to any changes in the training requirements within the company as they are confident that they already have the right skills set in place.

6. Conclusion and discussion

In the final chapter of the study, the conclusion of the results is presented. This is followed by the study's contribution and a reflection on results and limits. The chapter is finished with a discussion of what could be examined in future research.

6.1 Conclusion

The main purpose of this study has been to gain insights into the regulatory compliance in the audit profession, focusing on the EU's new AI Act. Further, the aim has been to understand how the audit profession in Sweden and in the EU perceive the regulation and its potential effects as well as how far they have come in the adoption of the law. The research question that has been answered in the study is: *“How is the audit profession adapting to the EU's AI Act and what effects will the regulation have on the use of AI within auditing?”* The following are the conclusions that have been reached.

After analyzing the empirical evidence, it has become clear that coercive isomorphisms have been a key driving factor for the audit profession and their adaptation to the AI Act. It is evident that mainly formal pressures in the form of the legal pressures that exist have affected the audit firms and their implementation of the AI Act. Furthermore, the analysis of the results has shown that the difference between how well the companies adapted to the law was mainly influenced by informal pressure such as different expectations based on specific roles. The informal pressures will likely be more significant when the regulation actually has come into force.

Furthermore, it is evident that legitimacy is a driving factor for audit firms' willingness to adapt to the law. The audit companies are motivated to be perceived as legitimate by other audit firms and strengthen their trustworthiness towards their stakeholders. Additionally, it follows that mimetic- and normative isomorphisms affect the implementation and perception of the AI Act by audit firms. This conclusion has been drawn as mimetic isomorphisms have affected the cooperation between audit firms in their process of understanding and implementing the AI Act. However, the degree of cooperation in the examined companies vary greatly. The study further has shown that when companies are facing new and uncertain

environments, they tend to take inspiration from external organizations. This is done to receive guidance and knowledge about how to interpret the AI Act which further strengthens the conclusion that normative isomorphisms are present.

Additionally what can be drawn from this study is that the differences regarding audit firms perception and the degree of integration of the AI Act is connected to their specific roles. This is based on the conclusion that they have reached different stages of the sensemaking process depending on the role. It has become evident that all companies have a favorable outlook on the law, viewing it as a necessary change for controlling the rapid development of AI. The companies that have made more progress in the sensemaking process perceive the regulation even more positively and would have wanted to see it earlier.

A further conclusion drawn from this study is that, the effects on the use of AI in the audit profession will currently not be substantial as the audit profession already is heavily regulated and the use of AI systems are limited. However, it is possible that the effects can be more evident when AI is used more extensively within auditing and the regulation is completely implemented.

6.2 The study's contribution

This study has examined what effects the AI Act is expected to have on the audit profession and their use of AI as well how the adaptation to the law currently looks like . Furthermore, the study has aimed to create an understanding of how audit firms perceive the AI Act and whether they believe that the law is relevant and necessary. AI and the AI Act is a new phenomenon that has not yet been particularly researched. The AI Act is the first joint AI regulation and thus a new and interesting topic to investigate. The law's implementation and effects in the audit profession have not yet been analyzed, which was the motivation for this study. Through semi-structured in-depth interviews, this study has been able to examine the effects of the AI Act, the audit firms' perceptions of the law as well as the audit professions adoption to the law.

After analyzing the empirical evidence the study contributes with the understanding that institutional theory can be used to explain why the audit profession's adaptation to the AI Act appears as it does. Isomorphisms aided the understanding that different forces impact how auditors interpret, implement and integrate the requirements of the AI Act to their profession

and why the implementation of the AI Act differs between audit firms. Additionally, this study has contributed to knowledge of how the audit profession makes sense of this law and how this affects their ability to adapt to it. The sensemaking theory can be used to understand how organizations interpret the effects of the regulation and what factors shape their understanding of the law. All companies expressed support for the AI Act, seeing it as essential for managing AI's rapid growth. The study also enhances the grasp of sensemaking theory by clarifying why various roles and companies adapt differently to the AI Act. It suggests that factors like experience and background influence how the interviewed companies and individuals comprehend the law.

This research has further contributed to an enhanced comprehension of the AI Act and its anticipated impacts on the audit profession. Contrary to some prior findings, this study's results indicate that the perceived complexity surrounding the AI Act may not be as pronounced as previously suggested. Mökander et al (2021) together with Haataja and Bryson (2023) suggested that there was a risk that the AI Act would be perceived as too visionary and too complicated. Based on the interviews conducted, results indicate a contrasting perspective to the one portrayed in former research. Through the interviews, it has been found, unlike what Mökander et al (2021) and Haataja and Bryson (2023) stated that the law overall is perceived as relevant and with reasonable requirements. This study's results show that the law does not consist of requirements that feel unreasonably high. All respondents apart from one interviewed do not perceive the law as difficult to interpret and understand. Industries that use more complex AI systems risk becoming more restricted by the law and may perceive its requirements as more extensive and high. The respondents also mentioned that the audit profession is a field that is already heavily regulated by several laws and indicated that another law would not have any major effects or a negative impact. They therefore think that industries that had not previously been heavily regulated risked being hit harder by the AI Act.

Further, this study contributes to the research on the "pacing problem" by exploring how audit firms perceive this problem. The findings of this study reveal that all companies perceive the rapid advancement of AI as a challenge, complicating their adoption of AI within auditing. They contend that keeping pace with the drastic evolution of AI is difficult, requiring constant updates on the progress and its definition. However, the results suggest

that this issue pertains more to the auditing firms' utilization of AI rather than posing a hindrance to their implementation or compliance with the AI Act.

In conclusion, this study contributes to an overall understanding of the implementation and effects of the first global AI regulation, the AI Act. Given that the examined subject is new and unexplored, this study contributes to knowledge of the law and understanding of its expected effects. This can be helpful for legislators, AI users, and the audit profession. With the insights from this study, they can gain a deeper understanding of the factors influencing implementation and adaptation to the law. Additionally, it provides insight into how companies navigate changes during uncertain times, helping the understanding of the factors shaping their sensemaking processes.

6.3 Reflection on results and limitations

In this study, there are some factors and limitations that have to be considered when analyzing the final results. One essential aspect is that as the AI Act is such a new regulation and as it has not even come into effect yet, the results could be affected. This is because there is limited knowledge about the regulation in many companies which became clear during some of the interviews. There is still much unknown about how the AI Act will be implemented and what consequences the regulation will have on existing methods and practices. If the study was conducted directly, or even years, after the regulation has come into effect, the perception and knowledge about it could differ from how the respondents thought of it now and when the actual effects are known.

Further, another aspect that could affect the results of this study is that a limited number of people from each company has been included in the interviews. This can affect the results due to the fact that the respondents could choose to answer the questions based on their own prior experience in their specific role. If more roles were included it would be possible to find out if other people within the company answer differently to the same questions. In turn, it could potentially have been possible to find individuals with more knowledge about the regulation which thereafter also could change the results. As the area, regarding the AI Act, still is unexplored and new for many companies there is a limited knowledge about the regulation. This led to only a smaller number of people that were willing to participate in the study. Additionally, the study has been conducted under time pressure which further complicated the possibility of finding multiple people within the same company. In addition

to this, it was evident that some companies had a specific person that was in charge of the area of AI regulation and was also responsible for answering questions about the regulation.

Additionally, one factor that potentially could impact the final results of the study is that the interviewed respondents had different roles. This signifies that they also have different knowledge in the area of AI regulation. As the study includes people with roles such as auditors, legal counselors and AI specialists there is a risk of different roles affecting the results. The challenges of new regulations could potentially be downplayed by experts due to their own familiarity while the ones with less expertise within AI could focus more on practical concerns without considering the broader implications. The different roles might also prioritize concerns related to different areas, such as more focus on frameworks and compliance while some roles could focus more on technical feasibility and ethical considerations. Further as the respondents also have had their roles for different amounts of time, this can also play a part in changing the way how the questions were answered.

Another implication in the study is that all companies have been anonymised, this has been made after requests from the participating companies. If companies were to be not anonymous, everything that they say would have to go through their marketing department which was not possible due to time constraints. However, as the respondents knew that they were going to be anonymous when answering the questions, this could lead to increased honesty. It could mean that they feel more willing to share both challenges and positive aspects about their perception of the AI Act and their work with regulation without having to worry about sharing sensitive information. This in turn leads to both honest as well as insightful data.

Further, one strength with the study is that as the research regarding AI Act is limited, this study examines the regulation in the relevant area of auditing. The study furthermore examines both how the audit profession is adapting to the new AI Act but also what effects the regulation could result in and gives explanation to why the implementation and effects are perceived differently among audit firms. Another strength with the study is that audit firms from different countries in the EU are included. This leads to a broader understanding of how the law is adapted and understood in multiple countries which further gives a more in depth understanding into the subject and the findings.

6.4 Future research

In future research, it could be interesting to investigate the AI Act and its effects on the audit profession after the regulation has come into force. A similar study could be conducted in a couple of years to compare the perceived effects to the actual effects. In future studies, researchers could also examine how well prepared the different firms were in implementing the new regulation. The theory of sensemaking can be included to see if it can be further strengthened that the sensemaking process has an impact in their implementation.

To be able to make more certain assumptions about the perception of the effects of the AI Act and analyze how far companies have come in the implementation of the regulation it could be relevant to examine more companies. This could further strengthen the trustworthiness of the conclusions being made and the researchers could gain a deeper understanding of what differences there are between the examined firms. Another aspect that could be interesting to analyze in future studies is to compare how different industries are implementing new regulations and specifically the AI Act. Some professions use AI to a greater extent than the audit profession and therefore it could be interesting to examine what precautions they have to take in order to adapt to the AI Act and if the results of the study would differ from the results found in this study. Further, the "pacing problem" exists in the area of AI, something that was confirmed through the interviews. It could therefore be interesting to follow up the development of AI to see how the firms and regulators are handling this problem and whether the "pacing problem" still is present.

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8. Appendix

Table 1. Interview questions

Presentation:

1. We would like to begin with you shortly presenting yourself, what is your role in the company, what does your role entail and how long have you had your role?

Introduction:

2. When did you approximately start using AI tools within your company?

3. How has AI affected your everyday work life, please give an example?

4. Have you ever experienced any problems with AI?

AI act:

5. How do you plan to ensure compliance with the EU AI Act within your audit firm?

6. How do you anticipate the EU AI Act influencing the development and adoption of AI tools in the audit sector?

7. Are there any specific challenges you foresee in aligning your AI practices with the requirements of the EU AI Act?

8. How do you plan to balance the need for innovation and efficiency with the regulatory requirements outlined in the EU AI Act?

9. In what ways do you think the EU AI Act will impact the skill sets and training requirements within your organization?

10. Do you see more positive or negative consequences with this law?

11. Do you consider the “pace problem” to be an issue (i.e., that development is happening so quickly that it's difficult to keep up, the definition of AI is changing, etc.)?

12. Do you consider the AI regulation to be legitimate and trustworthy?

13. Do you collaborate with other firms operating in the Audit field in order to improve your integration of AI tools? Have you ever been inspired by how other companies use AI tools?

14. Are there any other regulations/norms that affect your usage of AI tools than the upcoming AI act?

15. What different aspects/stakeholders could affect your usage of AI Tools?

16. How much do you think your usage of AI tools is affected by laws and regulations?

Table 2. Coding scheme

Data Extract	Code	Theme
“We are operating in heavily regulated spaces anyway. So there were already regulatory requirements”	Formal Pressure	Coercive isomorphism
“100% sure that we are looking at other firms, but nothing that gets talked about”	Inspiration	Mimetic isomorphism