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Ethics and internal audit: Moral will and moral skill in a heteronomous field



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ABSTRACT

This paper examines ethics in the field of internal audit. A set of in-depth interviews, the autobiography of ex-Vice President of Internal Audit of World Com, Cynthia Cooper, and the documents of the Institute of Internal Auditors (IIA) are all analyzed to shed light on the ethics—deontic, teleic, and aretaic—that characterize this weakly autonomous field. The paper further employs work in the field of economic sociology and Milan Kundera's literary ideas to highlight how internal auditors actively moralize markets and embrace a moral will that is ambiguous, if not conflicted. The paper further raises questions about the IIA's present offering of ethics-related resources and its ability to effectively develop moral skill in this field. In addition, and in keeping with our phronetic research approach, the paper provides suggestions aimed at improving the Institute's ethics resources.

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With corporate scandals involving accountants regularly appearing in news headlines there is good reason to believe that accountants have lost sight of their moral compass. Similarly, there is reason to be critical of accounting's professional bodies, which are supposed to regulate their members and fulfill certain ethical norms and standards in exchange for their monopoly privileges (Richardson, 1987; Neu, 1991; Armstrong et al., 2003; Williams, 2004). These

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scandals only increase skepticism among those already critical of the profession's work and ethical integrity (cf., Wyatt, 2004), and so one must ask whether the field's experts possess an adequate amount of moral skill and moral will (Swartz and Sharpe, 2006). One must also wonder to what extent are the profession's ethical norms merely articles of faith, assumed characteristics that function largely to uphold its own self-told myths (Bédard, 1989; Neu, 1991; Paracini and Gendron, 2010)?

This paper adds to the growing body of work that examines these questions (cf., Armstrong et al., 2003; Francis, 1990; Libby and Thorne, 2004; Shearer, 2002; Thorne, 1998). Specifically, it asks whether auditing has the capacity to be an ethical or virtuous practice, and what it means for an auditor to be ethical or virtuous in the first place. These questions are particularly worth asking in respect of internal auditors, a group whose professional goals are different from those of external auditors—or so it is claimed by those trying to professionalize the internal audit function (Rittenberg and Covaleski, 2001; Arena and Jeppeson, 2010). The internal auditor's embeddedness within organizations makes this group especially prone to influence by more powerful organizational members, 'Chinese walls' notwithstanding (Gendron and Suddaby, 2004; Suddaby et al., 2009). In Bourdieu's terms (1993), internal auditors work within a heteronomous field, or field of weak autonomy; they are typically more deeply immersed in organizational politics than external auditors, suggesting they are also more frequently threatened by symbolic sanctions and under greater pressure to submit to and satisfy external demands (p. 86–87; see also Reynolds, 2000). Finally, while there exists a good deal of qualitative research examining the audit function (cf., Fisher, 1996; Gendron and Suddaby, 2004; Pentland, 1993; Radcliffe, 1998, 1999, 2008), the more limited field of internal audit has received very little attention from those employing such methods (for an exception, see Spira and Page, 2003; Neu et al., 2011; Roussy, 2013). Among those who do focus on the insights of internal auditors, even fewer challenge these insights or attempt to transcend them (Humphrey, 2001; Llewellyn, 1993, p. 239).

To begin answering the above questions—whether auditing has the capacity to be an ethical practice and what it means for an auditor to be ethical—this paper examines the internal audit function through three ethical lenses, the Kantian, utilitarian, and virtue lenses (i.e., deontic, teleic, and aretaic ethics) (Fourcade and Healy, 2007; Pojman, 2005). As an initial, exploratory study of ethics in this large and growing professional sub-field,¹ and following the precepts of a phronetic research approach (Flyvbjerg, 2006; Cooper and Morgan, 2008), the paper also examines a diverse array of practical perspectives: of everyday practitioners, of a noted moral exemplar, and of the association that speaks on its members' behalf. Drawn from a set of interviews, autobiography, and website, these 'narratives' or 'stories' are viewed as constitutive elements of this field's social reality (cf., Flyvbjerg, 2006; Funnell, 1998; Haynes, 2006; Stewart, 1997; Reiter, 1997). Finally, we also turn to Milan Kundera's (1984) literary ideas to help us further develop our research narrative (Arrington and Schweiker, 1992; Llewellyn, 1999) and reflect upon the moral disposition of the internal auditor and the ethics that inhere in this field.

The paper argues that while internal auditors play a role in actively moralizing markets they are, nonetheless, currently being asked to embrace a moral will that is ambiguous, if not conflicted. This raises questions regarding the professional association's present offering of ethics-related resources and its ability to effectively develop moral skill in this field. While tentative, our findings suggest that the ethical stance of this professional sub-group is, like the more general professional field, currently compromised (Puxty et al., 1994). In keeping with a phronetic research approach (Flyvbjerg, 2006; Cooper and Morgan, 2008), suggestions are also provided regarding the profession's ethical narratives and the ways that it might improve its ethics-related offerings.

Our paper contributes to the accounting literature in a number of ways. First, it adds to prior discussions of the notion of moral accountability by highlighting the constituent elements of an ethical disposition, including a number of practical virtues (Bourdieu, 1998; Francis, 1990; Mintz, 1995; Roberts, 1991; Stewart, 1997; Thorne, 1998; Jeppeson, 1998; Shearer, 2002; Armstrong et al., 2003; Libby and Thorne, 2004; Lehman, 2006). The study also contributes to literature examining the core professional value of auditor independence, as well as studies that have examined the changing nature of the auditing profession and its values (cf., Arena and Jeppeson, 2010; Everett et al., 2005; Gendron, 2001; Gendron and Suddaby, 2004; Neu et al., 2003; Suddaby et al., 2009; Rittenberg and Covaleski, 2001). More generally, the paper helps open the black box of the market's morality by considering the auditing profession's role in actively moralizing the market (Fourcade and Healy, 2007). In so doing, the paper hopes to help rectify a situation wherein the profession is alleged to be offering ethics instruction that is of highly limited use (cf., Puxty et al., 1994; Windsor and Warming-Rasmussen, 2009).

In the following we lay out the ontological assumptions and the relevant research underpinning our study. We then outline our methodology by delineating our epistemological assumptions and discussing our three-part data-gathering process. Following this, we analyze our empirical material and discuss the implications of the study and the recommendations that stem from it. Finally, we summarize our analysis, relate our findings to past research, and discuss a number of possibilities for future study.

¹ According to the IIA in 2007, "the number of internal auditors who have earned their Certified Internal Auditor (CIA) designation . . . has risen 80% since 2001 [and] membership of the IIA has increased 72% to more than 130,000 over the last 5 years" (IIA, 2007). In the 4 intervening years this number has increased 31% to 170,000, with members now practicing in 165 countries (IIA, 2011).

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