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**INTERNAL
GOVERNMENT
AUDITORS 'AT THE
CREST': IDEOLOGY,
POLITICS, AND
MORALITY AND THE
FIGHT AGAINST
FRAUD
AND CORRUPTION**

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Abstract: This paper examines some of the ideological, political and moral challenges that face internal auditors in their fight against fraud and corruption. Specifically, the paper considers how these three factors influence the definitions of fraud and corruption and the perceived purpose of internal auditing. The paper also examines two high-profile cases of corruption and fraud –the Canadian sponsorship scandal and the WorldCom collapse –as a means of showing how these factors can undermine the auditor’s independence, integrity and professional judgment. These two cases further highlight the phenomenon of ‘whistleblowing,’ and how a whistleblower’s ‘faith in the system’ can lead that person to become a victim of injustice and alienation, or ‘tragic hero’. Finally, the paper considers how to best deal with this situation, and briefly looks at the educational resources that the profession has made available to deal with these various challenges.

What, in fact, is the absurd man?...he [is one who] prefers his courage and his reasoning. The first teaches him to live *without appeal* and to get along with what he has; the second informs him of his limits. (Albert Camus 1983, p. 66)

Among their many duties, government auditors are responsible for detecting deficient controls and non-compliance with laws, regulations and organizational policies (cf., United States Office of Management and Budget, 1984). To do this, they have at their disposal a variety of tools and techniques, often no small amount of experience, and, where this is lacking, a good deal of knowledge acquired during their many years of training. It is too often the case, however, that their job descriptions and the education that they receive prior to undertaking those jobs underemphasize the skills required to negotiate the ideologically-, politically-, and morally charged environments within which they work, and this, we argue, can ultimately compromise the auditor’s most important espoused attributes, independence, integrity, and professional judgment (cf., Neu et al. 2003, Libby and Thorne 2003).

This neglect of the realities of practice and excessive focus on auditing’s rational-legal characteristics is particularly problematic for internal auditors working in government. For this subset of actors, political goals and party affiliations regularly (and, some argue, increasingly) affect organizational practices and routines (cf., Hubbard and Pacquet 2010). Even more problematic, the internal auditor’s reporting obligations might be to the same individuals responsible for the deficient controls and non-compliance that they are trained to

identify in the first place. Internal government auditors, all of this is to say, work in a highly challenging environment and they may be required to deal with situations for which there are no technical answers and for which they are not particularly well-equipped.

This paper departs from the view that sees auditing as a well-reasoned, technical practice to consider how, in contexts characterized by fraud and corruption, the independence, integrity, and professional judgment of internal government auditors becomes vulnerable to a set of ideological, political, and moral factors. In so doing, the paper aims to help internal auditors better understand not only the practical limits of independence, integrity and professional judgment, but also the courage that is required to fight fraud and corruption. This understanding should, in turn, enable them to more easily maintain their commitment to ‘doing the right thing’ (Killinger 2007) in a world that doesn’t necessarily reward those who have ‘faith in the system’.

Our framing for the paper relies on the work of Albert Camus (1983), particularly his notion of ‘the crest.’ For Camus, the crest is the point at which the technical, ‘reasoned’ world rises to meet the practical, real world, with the latter’s ubiquitous helpings of ‘unreason’. It takes great courage to occupy the crest, for it is there that we face the unreasonable and meaningless nature of the world, a realization that forces some into despair and nihilism, and others into making comforting ‘leaps of faith’ that rely on artifice and expedients to hide life’s lack of meaning. For Camus, only the ‘absurd hero’—his name for a person of authenticity and true integrity—is able to stand calmly at the crest, where “danger...lies in the subtle instant that precedes the leap... to remain on that dizzying crest—that is integrity and the rest is subterfuge” (ibid. p. 50).¹ To effectively deal with fraud and corruption, we maintain, means having to face this absurd world and revolt against it. Doing so requires courage, because while some become ‘heroes’ on account of the way they act in the face of fraud and corruption, many more become ‘tragic heroes’. Camus, we think, offers a much-needed palliative for this latter group and valuable guidance for those who have yet to be faced with the decision to ‘despair, deny, or act’².

To highlight the at times ‘unreasonable’ nature of the internal auditor’s world, her or his propensity to take leaps of faith, and the difficulties involved in ‘occupying the crest,’ the paper draws on recent archival and empirical research (esp., Neu et al. *forthcoming*, 2012; Everett and Tremblay *forthcoming*; Everett et al. 2007,

¹ Camus uses the term *absurd* in the sense of the relational collapse between the human world of meaning and the external world within which humans live, not in the sense of the ‘ridiculous’ or ‘foolish’ (Duff and Marshall 1982). For readers who believe that complete clarity and understanding of the external world is ultimately achievable and merely a function of time (and effort), it is worth pointing out that even the so-called ‘hard sciences’ face a number of highly vexing issues related to (ir)rationality (see for e.g., Heisenberg’s Principle of Indeterminacy, Bohrs Principle of Complementarity, the Löwenheim-Skolem Theorem, and Gödel’s Theorem). (ibid.).

² Camus’ ideas were used to frame this paper for a number of reasons: first, he was a secular humanist whose moralism is not constructed around assertions of transcendence and, at the same time, he is not violently opposed to such assertions; indeed, while he sees ‘dangers’ in discourses, particularly those that aspire to universal truth, his prescriptive ‘revolt’ is more about vigilance than violent revolution (Lincoln 2011, Duff and Marshall 1982, Davis 2011, Roberts 2008). Second, his ideas of authenticity, freedom, and feeling (cf., Dunwoodie 2010, Duff and Marshall 1982, Roberts 2008) speak directly to three of the auditing profession’s most important attributes, integrity, independence, and professional judgment, respectively. Third, his work also addresses the experiences of whistle-blowers, as he was concerned with notions of alienation, inhumanity (esp., bureaucratic inhumanity), and injustice (cf., Roberts 2008, Lincoln 2011). Fourth, his philosophy is both life-affirming and premised on human agency and the potential for change (Duff and Marshall 1982, Roberts 2008) (we revisit his reliance on human agency in our conclusion). Finally, like Cynthia Cooper, the WorldCom whistleblower whose heroic journey we later examine, Camus’ writings similarly describe a ‘heroic journey’ (Sagi 2002, p. vii).

2006) that examines auditing's role in the fight against corruption. This research also examines two high-profile cases of fraud and corruption involving internal auditors, one public sector—the Canadian sponsorship scandal (Gomery 2005)—and another private sector—the WorldCom collapse (Cooper 2008, Beresford et al. 2005). Finally, we draw on research (Everett and Tremblay *forthcoming*) that considers the ethics-related resources provided by the profession's spokesperson, the Institute of Internal Auditors (IIA).

In the paper, we first consider how ideological factors affect the definition of fraud and corruption, where one looks for these problems, and how these problems are addressed. We also examine how ideological factors influence the perceived purpose of internal auditing, as ideology permeates the debates that occur between those who advocate a 'policing or coercive role' for internal audit and those who advocate a 'value-added or enabling role' for it. In the second section of the paper we examine a high-profile case of corruption, the Canadian sponsorship scandal, as a means of showing how political factors can undermine the reporting duty and, ultimately, the integrity of internal auditors. In part three, the paper discusses what it means for an auditor to be 'ethical', and we show how an auditor's moral belief system can, in the face of a fraudulent and corrupt situation, lead to alienation and injustice. Finally, we consider the state of the IIA's ethics-related resources as a means of highlighting the currently ambiguous state of the profession's ethics. We conclude by identifying the implications of our research and by offering some suggestions, following Camus, as to how one might justify the 'unreasonable' actions that fraudulent and corrupt situations appear to demand from internal auditors.

■ IDEOLOGY AND INTERNAL GOVERNMENT AUDIT

Our thesis in this paper is that in contexts characterized by fraud and corruption the independence, integrity, and professional judgment of internal government auditors are vulnerable to a variety of ideological, political, and moral threats. These threats further limit one's actions, and they present an obstacle of the sort encountered by Sisyphus, the mythological character who was made to roll a boulder uphill only to have it continually roll back down, an exercise that left him exhausted (Camus 1983). Yet, Sisyphus persevered, seemingly content in his role, acting as if his 'struggle toward the heights' was enough to 'fill his heart' (*ibid.* p. 124). In this section, we journey toward this crest by examining the first of these threats, arguing that ideology affects the definition of fraud and corruption, where one looks for these problems, and how these problems are addressed. Ideology, we also argue, plays a role in how internal auditors and others define the purpose and role of internal audit in an organization.

Defining Fraud and Corruption

The terms *fraud* and *corruption*, despite their frequent use in the practitioner and academic accounting literature (cf., Savage 2009, Leblanc 2005, Albrecht et al. 2009), are typically imbued with only the most general meaning. For instance, fraud is defined vaguely as 'an intentional perversion of the truth or act of deceiving' (Merriam-Webster 2012), while corruption, defined in a no less ambiguous manner, is seen as '*an impairment to integrity*, an inducement to wrong, or departure from what is pure' (our emphasis) (*ibid.*). While accountants and auditors appear to rely more on the term *fraud* than *corruption*—perhaps on account of the former's more legalistic connotation—these terms tend to imply the very same acts: Caiden et al. (2001), for example, list no less than 60 different 'acts of corruption,' including the same four that Albrecht et al. (2009, p. 516) suggest are 'the main types of fraud' (sp., bribery, conflict of interest, extortion, and illegal gratuity). Indeed, it is hard to understand what is meant by the term *fraud* when it is used to refer to everything from misrepresentations on financial statements (cf., Lennox and Pittman 2010) to the deceptions that lie at the

heart of the recent financial crisis (cf., Black 2010)³ to the frauds committed by governments that have convinced citizens to support their poorly-conceived policies⁴. Such is similarly the case with corruption, which has been defined in myriad ways: as petty and grand, bureaucratic and political, transactive and defensive, extortive and investive, and incidental and systemic, to name just a few (cf., Leff 1964, Rose-Ackerman 1978, 1999; Robinson 1999, Alatas 1990).

Definitions do matter, despite the ambiguity of these terms, as they frame one's image of the problem and, consequently, one's set of possible solutions (Radcliffe 1999)⁵. Considering the fight against fraud and corruption, the definitions tend, in practice, to center on quite specific meanings of these terms, meanings that ultimately shape where auditors both look for fraud and corruption and how they act to eliminate or reduce these problems. Ideology (Žižek 1994)⁶ enters the picture as the dominant view of corruption has been constructed by actors who are aligned with two particularly powerful 'neoliberal' (Davis 2011, Harvey 2005) institutions, namely the International Monetary Fund (IMF) and the World Bank (Everett et al. 2007, 2006). As global, neoliberal actors, these two organizations actively promote the idea of individual autonomy and the belief that market competition leads to an equitable outcome for society, and so have made no secret of their interest in 'liberalizing, deregulating and privatizing' the global economy. This neoliberal or 'private interest' philosophy of the world also informs these organizations' view of the term *corruption* (ibid.).

In respect of that term, World Bank and IMF commentators have traditionally seen corruption as the 'misuse or abuse of public office for private gain' (cf., Dye & Stapenhurst 1998; International Monetary Fund 2005; World Bank 1997, p. 8; Bukovansky 2006, p. 186). This definition might appear reasonable on its face as it demonizes misuse, abuse, and unjustified gain—all bad things, one presumes—but it also demonizes public office, though to see how this is so one needs to explore both the assumptions that inform the construction of the problem and these organizations' preferred solutions to it.

The assumptions underpinning these organizations' fight against corruption are borne, on the one hand, of liberal humanist thought, which is to say, the view that the rights of the individual are sacrosanct, that she or he should be free to do as one wants (in so far as the rights of others are not violated) and that this freedom must be supported and protected (Chambers 2008)—all things that fraud and corruption do, in fact, tend to undermine. This is not, however, the problem. The problem is that in keeping with this perspective public officials are also viewed as *inherently self-interested* actors ('agents') who are *always* looking to 'shirk' their prescribed duties. Moreover, public officials, when they are not 'building fiefdoms,' are generally 'susceptible to capture' by 'special-interest groups,' and so are in need of both careful 'monitoring' and 'constant incentivization' (cf., Mbaku 2008). In the worst case, public officials are thought to victimize the very people who put them into office—their 'principals'—by imposing 'agency costs' on them and by 'undermining efficiency' (cf., Eskeland & Thiele 1999).

³ Black, for example, explores the deception at the heart of Lehman subsidiary Aurora Loans Services' trade of so-called liar loans, and how this 'fraud' fuelled the recent financial crisis.

⁴ For instance, one could see comparisons between national fiscal policies and household budgets as a form of fraud, being as they are distinctly different phenomena. Propagated by politicians, and likely born of ignorance, these types of fraud could be termed 'innocent frauds' (cf., Galbraith 2004, Mosler 2010).

⁵ In Foucault's terms, definitions are a part of the "set of rules that enable one to establish which statements in a given discourse can be described as true or false" (Foucault 2008, p. 35).

⁶ We rely here on Žižek's (1994, pp. 3-4) definition, for whom ideology is "anything from a contemplative attitude that misrecognizes its dependence on social reality to an action-orientated set of beliefs, from the indispensable medium in which individuals live out their relations to a social structure to false ideas which legitimate a dominant political power". We prefer this definition as it does not view ideology as a purely oppressive force, nor is it dismissive of the possibility of change.

Addressing Fraud and Corruption

In seeing corruption as a ubiquitous problem involving primarily self-interested public officials, whether bureaucrats, politicians or the monitors themselves (i.e., auditors), any search for the problem is concentrated on these particular actors. For internal auditors in government, this definition does admittedly provide them with a useful starting point, if not meaningful *raison d'être*, namely, the hunt for deception, dishonesty and subterfuge in government—and these things do occur. Yet, this definition and this neoliberal, private interest ideology have a somewhat darker side in that they also justify what economists like to refer to as an ‘exit’ solution, namely, the privatization of the government service in question (by having private sector alternatives, the logic goes, consumers have a ‘choice’ and are free to ‘exit’ a corrupt situation). One needs to remember, however, that in networks of corruption one does not typically find *only* public officials, since private sector actors often provide the supply of money and perks that fuel the problem in the first place (cf., Michalowski and Kramer 2006). Consequently, while the orthodox definition of corruption justifies the existence of the internal auditor, at the same time it takes the focus off of corruption’s ‘supply side’—i.e., corrupt business actors—and, worse, it might well have the (un)intended consequence of compromising the existence of the very organizations for whom government auditors work.

There are solutions that go beyond simply dismantling a public sector organization in which corruption is rife. One of these is the ‘control’ solution, which is aimed at improving legal, electoral, educational, and other institutional systems via, as the name suggests, improved controls. Thus, the state becomes a credible enforcer of laws (i.e., the rule of law), whistleblowers are protected, tax and customs administration systems undergo reform, reporting systems are improved, public servants’ performance is measured, and watchdog agencies (i.e., ombudsmen, auditors, etc.) are empowered (see Galtung 1994; Klitgaard 1994; La Palombara 1994; Pope 1998). Together, these elements form what are called ‘*pillars of integrity*,’ or the foundational core of a country’s ‘integrity accountability institutions’ (Gonzalez-Koss & Kellner 2002; Schwartz 2003; Stapenhurst & Dye 1998). A second alternative is the ‘voice’ solution. This is based on the idea that citizens often know the consequences of corruption better than do distant and élite experts, which means that citizens are also often in a better position to monitor the nature and extent of the problem (Galtung 1994, p. 44; Khanal 2000, p. 4). The media are also key actors, given their ability to provide voice, and so it is critical that they too be granted freedom and protection.

Ideological forces affect how fraud and corruption are ‘framed’ and, consequently, how these problems are addressed; yet, even in contexts characterized by robust controls, strong ‘pillars of integrity,’ and ample amounts of voice, the elimination of fraud and corruption is hardly a given. In part, this is because the shape of fraud and corruption changes according to context. This contextual variability is captured by Johnston (2005), who outlines four broad national contexts, suggesting that the kind of corruption one typically encounters in countries like France and Germany (‘influence market countries’) is quite different from the kind one finds in countries like the Philippines and Mexico (‘oligarch or clan countries’) or China and Kenya (‘official mogul countries’). For internal auditors working in government organizations in a country like Canada, corruption is less likely to involve the exchange of suitcases full of cash, and more likely to involve influence-peddling, facilitated by such practices as campaign donations and ‘favors’. That said, and as David Harvey (2005) points out, there remains “a curious penchant to pursue ‘corruption’ as if it is easily distinguishable from the normal practices of influencepeddling and making money in the marketplace” (p. 166). At worst, by seeing the problem of corruption as ubiquitous in the developing and not the industrialized world, this definition promotes a subtle form of racism (Everett et al. 2007, 2006).

On account of ideology, internal government auditors are put into a difficult, and somewhat ‘unreasonable’ (Camus 1983) situation: they are told to detect fraud and corruption, yet paradoxically the fraud and corruption that surrounds them may not be of the type that they are being asked to detect. When auditors in influence-market countries like Canada—where corruption tends to be a function of influence-peddling—are focused simply on ensuring that financial statements are free of material misrepresentations, that all of the required paperwork is filled out, or that specified procedures have been followed, they can

hardly be depicted as key players in any type of global fight. Indeed, without due recognition being paid to the contextual nature of fraud and corruption, auditors can quite easily go from being virtuous participants in a worthwhile fight to mere spectators or, perhaps, even victims.

Winning the battle against corruption and fraud is also exceedingly difficult in influencemarket countries not only because these problems tend to be less blatant, but also on account of the fact that even where an organization's internal controls are robust and working political factors intervene to undermine those controls and, what is important for auditors, these political factors might prevent auditors from reporting on any fraud and corruption that they do find. Indeed, this is precisely what happened in Canada's high-profile sponsorship scandal, which we will examine in a moment. Before turning to this case, however, there is yet one other way that ideology affects the internal auditor's fight against fraud and corruption, and that concerns internal auditing's definition or purpose, which encompasses both enabling or 'value-added' practices, and coercive or 'policing' practices.

Internal Auditing: Policing vs. Value-added

Research suggests that a tension exists in the auditing field between what has been variously termed a managerial and administrative logic (Meyer and Hammerschmid, 2006), a market and state logic (Suddaby et al., 2009), or the logic of consulting and the logic of auditing (Power, 2003). Others see a shift occurring in the field away from fraud detection and reporting towards client confidentiality and service (Puxty et al., 1994). In this 'reinvention of auditing' (Jeppeson, 1998, see also Gendron *et al.* 2007) there appears to be an increasing need for auditors to add value (Radcliffe, 1999), to the point where commentators now speak of auditing's commercialization (cf., Cooper and Robson, 2006; Willmott and Sikka, 1997; Hanlon, 1994).

These changes and tensions might be expected to also characterize the field of internal audit; indeed, they might be experienced more acutely within it. While internal auditors need freedom to choose their goals, it must be remembered that they work within contexts wherein their outputs are brokered (Raelin, 1989); which is to say that they work within 'a field of weak autonomy' (Everett and Tremblay *forthcoming*). Unlike their external counterparts, who typically report to an entity's 'principals' (i.e., shareholders), internal auditors report to individuals more closely associated with its 'agents' (i.e., audit committee members), if not the agents themselves (i.e., managers). This suggests that internal auditors are more deeply immersed in organizational politics, more frequently threatened by symbolic sanctions, and under stronger pressure to submit to and satisfy management's demands (pp. 86-7). As a result, and to put it in Rittenberg and Covalesski's (2001) terms, free-market or commercial ideology has the capacity to 'taint' the internal audit field, leading to new definitions of the internal auditor's work and potentially undermining her or his cultural and moral authority. Consequently, one needs to question the internal auditor's relative independence and the degree to which the practice of auditing is being compromised by actors who may not share the auditor's philosophical outlook.

Notwithstanding efforts to make internal auditors less independent of both 'the market' and management (in their effort to create 'value-added'), it would appear that internal auditors continue to take their role of detecting irregularities and controlling dysfunctional behaviours—their 'policing' role—more seriously than consulting with management (Everett and Tremblay *forthcoming*). That is, their role currently seems as much if not more adversarial and coercive than acquiescent and enabling (Adler and Borys, 1996), more aimed at obtaining compliance than partnering with management. While the commercialization and deprofessionalization of audit is affecting accounting's Big 4 and other large, global accounting firms, a more statist or adversarial approach continues to characterize the field of internal audit. At least the perception endures among internal auditors that their *raison d'être* is to catch people at fault—at minimum, they see themselves as serving audit committees by being their eyes and ears and by providing assurance regarding compliance with laws and regulations (Everett and Tremblay *forthcoming*, Gramling et al., 2004). In this sense, their self-described role is 'classical'. That said, and as the Canadian sponsorship scandal illustrates, even internal auditors that see themselves as 'eyes and ears' are not immune to political influences. Indeed, this high-profile case suggests that in a world characterized by the presence of fraud and corruption it is quite

‘unreasonable’ (Camus 1983) to speak of auditing as if it were merely a dry, procedural or technical activity. In the following section, we examine the politics of internal government audit, both in respect of the manner in which internal auditing is a battleground between those who argue for these distinct roles, and in respect of how political actors can undermine the integrity and independence of auditors.

■ POLITICS AND INTERNAL GOVERNMENT AUDIT

The Canadian Sponsorship Scandal

In October 1993, Canada’s electoral landscape underwent a major change as the Liberal Party won a majority government and the pro-sovereignty Bloc Québécois became the Official Opposition, having received over 50% of the popular vote in the province of Quebec. Separatist sentiments in Quebec remained strong and the province’s Parti Québécois was campaigning and preparing for a provincial election in 1994, partly on the promise that it would hold a sovereignty referendum within one year if elected. The Parti Québécois won the election, and in December 1994 it tabled legislation setting out plans for a referendum on sovereignty association, which it subsequently held the following year.

Prior to the referendum, the federal government began an ‘advertising and sponsorship’ campaign in Quebec to promote the ‘federal brand’ and counter the separatist threat (Chrétien 2005, 12506-12507). The sovereigntists were narrowly defeated and the governing Liberal Party continued the pro-Canada campaign, eventually converting it into what became known as the Sponsorship Program. By the closure of the program roughly seven years later (in 2002), more than \$338 million had been spent on a variety of promotional and branding activities (Kroll et al. 2005, 11). As the subsequent inquiry revealed, the majority of this work was given to a group of business actors that billed the federal government for little or no work, some of this money even going to the Liberal Party to fund its activities (ibid.). To date, tens of millions of dollars remain unaccounted for.

The question one has to ask is, where were the auditors, and why did it take seven years for the government to put an end to the corruption that was occurring? As it turns out, the internal auditors were aware of the problems and these were documented early; however, at each stage of the audit process a general awareness of the normative environment that existed and the interests of senior Departmental officials framed audit practices (Neu et al. 2012). At the audit planning and evidence gathering stages political considerations proactively foreclosed certain lines of audit enquiry that proved problematic. Then, during the report writing stage, political considerations were exercised through the censorship and re-writing of the audit report to retroactively ensure that the report wording did not lead to problems. Interestingly, political pressures were more likely to be directed at and entered into the decision processes of senior, as opposed to junior, auditors. While audit team members were aware of the normative context, it was senior auditors who had the most interaction with higher-level bureaucrats and politicians, as well as the responsibility for deciding on an audit strategy and for the delicate work of writing and negotiating the final report wording.

The sponsorship scandal points to the at times ‘unreasonable’ (Camus 1983) nature of internal government auditing, as it demonstrates how ‘reasoned’ norms around technical practice can become meaningless in the face of politics. Indeed, it illustrates the strange and yet real phenomenon of the *public secret* (Radcliffe 2008)—that which is generally known but that cannot be said—for the senior auditors charged with the drafting of published findings appeared to be the “crucial element in presenting what was seen as ‘successful’ or effective audit findings” (ibid., p. 123). Success, in other words, meant not divulging the extant fraud. The case demonstrates that while junior auditors can be partially buffered from political factors, it is senior auditors that explicitly deal with the ‘politics’ of auditing. Moreover, not only do business or political considerations sometimes intrude but auditors can also become seduced by the situation (Moore et al. 2006, p. 20). Between this propensity to maintain a public secret and measure internal auditing’s ‘value-added’ according to norms that do not extend beyond the minimum expectations set out in the court of law and, for

some of the auditors involved, the CA profession's disciplinary committee, it is hard to see internal audit in this particular case as having demonstrated what many envision as the virtues of 'integrity' and 'independence,' even though the auditors seemed to be doing exactly what was expected of them. Camus might observe that in this case internal audit lost its meaning—it become *meaningless*—its actions were neither honest nor authentic; its auditors neither courageous nor free⁷.

■ MORALITY AND INTERNAL GOVERNMENT AUDIT

This deference to professional norms and political imperatives begs the question as to the state of the profession's 'ethics,' and whether or not the profession's espoused position speaks to the realities of practice. In addressing this question, we begin by first considering what it means for an auditor to be 'ethical,' we then show, via the case of the WorldCom collapse, how an auditor's ethics can lead to alienation and injustice, and, finally, we inquire into the state of the Institute of Internal Auditors' (IIA's) educational, ethics-related resources.

What it Means for an Auditor to be 'Ethical'

In considering what it means to be ethical, it is convenient to first distinguish between ethics and morality. Typically, the latter term denotes norms in practice, and these are usually a function of the attributes one acquires from the family, community, and for many, a system of religious belief. Ethics, in contrast, tends to denote a systematic and 'reasoned' way of thinking and speaking about morality. Considering these ways of thinking and speaking, these are usually divided up according to a three-way typology: deontic, teleic, and aretaic ethics (Fourcade and Healy, 2007; Pojman, 2005). Most simply, these focus on the *means* to a particular end, the *consequences* of an action, and the *person* doing the acting, respectively.

On the one hand, the commercialization of auditing can be understood as motivated by teleic ethics, and a highly individualistic form at that. Here, the auditor aims to maximize the shareholders', client's, or even her or his own 'utility' (Arrington and Schweiker, 1992). The term *utility*, which is favored by many economists, is technically very broad, though in practice it tends to imply financial returns or monetary rewards. Moreover, the notion of utility maximization is often used in the context of the individual, elevating egoism to a paradigmatic status in the process (Fourcade and Healy, 2007). In keeping with the idea that internal auditors are expected to 'enable' an organization, or when they are asked if their work 'adds value' to the organization, not only is a consequentialist norm being invoked, but implicitly so too is a largely individualistic, 'egoistic' form of consequentialism, at least in the short term. Ultimately, as mentioned before, such action is assumed to lead to 'an equitable outcome for society' (Davis 2011).

This focus differs from the idea that auditing ought to be strictly premised on the features of the act of auditing itself—auditing's 'intrinsic value'—which would be the case if auditors adhered solely to a deontic moral philosophy. In such cases the internal auditor's moral duty and her or his focus is on the means used to achieve a given end, and this would always be given primacy over the end itself. One can imagine in this case the internal auditor following rules in a strict fashion without any necessary regard to the ends achieved. This type of norm or moral approach would fit with a coercive or policing role for the internal auditor. It would also fit with a situation where the auditor practiced strictly in accordance with the rules laid out in, say, an ethical code.

Finally, and to the extent that one is able to free oneself of the need for a highly reason-based, analytical moral philosophy, one might also follow an aretaic ethical approach. This focuses on the ethical character of the auditor her or himself. Here, one asks about the type of person or character most valued in the field of

⁷ In even more abstract (and Heideggerian) terms, the case points to how 'fallenness' comes to replace 'goodness' (i.e., *Verfallen* replaces 'authentic being' or *Dasein*) (Duff and Marshall 1982).

audit (Francis, 1990), a question that is of little concern to the deontic or teleic ethicist. For the aretaic ethicist, one asks if a person acts in a virtuous way, and by virtues, one speaks of a multiplicity of traits that are discovered in practice (Francis, 1990). Five traits or virtues that might be important to auditors *qua* people are courage, justice, temperance, compassion, and wisdom, a list synthesized from the ideas of Plato, Aristotle, Hume, Kant, and Nietzsche (White, 2008). Together these virtues offer us a means of answering the essential question, *how should a person—including the internal auditor—live?*⁸ Of course, the list could include seemingly more practice-related virtues like independence, integrity and, what might be considered a variation on wisdom, judgment (Flyvbjerg 2006). Interestingly, these ‘auditing virtues’ correspond to three concepts that are highly important to Camus, freedom, authenticity, and feeling, and he would be inclined to agree that courage, justice, temperance, and compassion are similarly important, given that these notions infuse his work (cf., Davis 2012, Dunwoodie 2010, Duff and Marshall 1982, Roberts 2008)⁹.

When Ethics Leads to Alienation and Injustice

It is worthwhile to consider another important case that positioned internal auditing as the story’s protagonist, and that is the WorldCom collapse. In 1997, WorldCom and MCI Communications announced a \$37 billion merger, the largest in US history. Roughly two years later, the new company’s CEO, CFO, Comptroller, and Director of Accounting together entered into a conspiracy to issue false financial statements in hopes of propping up the company’s stock price. In 2002, the company’s internal auditors began investigating, and they uncovered a \$3.8 billion fraud. Upon further investigation, it was learned that the company had actually misrepresented its assets to the tune of \$11 billion (Beresford et al. 2005).

Heading the internal audit team was Cynthia Cooper, who, on account of her role as whistleblower, was awarded ‘Person of the Year’ by *Time* Magazine in 2002, ‘Accounting Exemplar’ by the American Accounting Association in 2003, and a spot in the AICPA’s ‘Business and Industry Hall of Fame’ in 2004, making her the first woman ever inducted. By all accounts, she is one of accounting’s few ‘heroes’ (or more correctly, heroines). In 2008, she published an autobiography detailing her experiences, and it is in that work that one is afforded insights into why she might in fact be considered a hero (Knapp et al. 1998), though not necessarily of the absurd variety described by Camus.

For one, Cooper might be considered a hero because her account makes it clear that she is ‘virtuous,’ as she valued and *demonstrated* courage, justice, and compassion—three of the five traits mentioned above (Everett & Tremblay *forthcoming*). It is also hard to say that she didn’t ultimately ‘do the right thing’ by reporting the fraud, and that she become famous for doing so, two other characteristics of the hero (cf., Knapp et al. 1998). Yet, it might be safer to consider her a ‘tragic hero’ in the vein of Sophocles’ *Oedipus*, who, though brave and courageous, came to an unfortunate end. Cooper’s story is rather less dramatic than *Sophocles*,’ but it is still saddening to read about how, on account of her decision to ‘do the right thing’ and report the fraud, her relationships with others suffered and how she experienced significant financial and healthrelated consequences. Specifically, she says that her fellow employees became angry with her, executives conspired against her, and she feared for her safety, home, family, and savings as the case dragged on for years (2008, p. 302-304, 312). She describes being lonely (even though she was cast into the public spotlight), demoralized, humiliated, sick, and depressed (Cooper 2008, p. 283, 286, 312, 328). Moreover, her professional association appeared to offer nothing in the way of assistance, leaving Cooper the responsibility of educating

⁸ Camus was also motivated by this question, though he was even more interested in the question, ‘*why* should a person live?’ (Duff and Marshall 1982).

⁹ Considering temperance, for example, Davis (2011) calls Camus’ work a ‘philosophy of moderation,’ given its prescriptions of incremental reform and advocacy of the need for a “perpetual spirit of rebellion that is necessarily limited in scope” (p. 232).

others about what can (and most likely will) happen, warning them that no one has a positive story to tell (p. 313-314). In short, she was alienated and became an outsider or stranger¹⁰.

Cooper, a believer in Christian doctrine, was by her account at the time of the fraud a strongly, if not ‘stubbornly’ (Camus 1983, p. 103), principled person—her actions were guided by moral principles, and she had no small amount of hope and faith in their ‘rightness’. Moreover, she had to take ‘a leap of faith’ in deciding to report, believing both that ‘the system’ would ultimately protect her and, though she doesn’t expressly say this in her autobiography, that she would be recognized for her good deed, either in the current life or afterlife. One has to wonder, though, if her decision to do her duty and follow her moral principles was necessarily *wise*; that is, if she really made ‘good judgments and choices about how to live’ (White, 2008, p. 137). In an environment that offers so little in the way of whistleblower protections and that is so quick to associate such unlucky individuals as Cooper with terms like ‘frivolous,’ ‘Machiavellian’ and ‘axe-grinder’ (cf., Bowen, Call, and Rajgopal, 2010), it is clear that whistleblowers are still considered untrustworthy and disloyal people, people somehow worthy of the status *pariah*.

The sponsorship case similarly illustrates the manner in which whistleblowers are currently treated as strangers and outcasts, though in that case, the whistleblower, Allan Cutler, a long-standing procurement specialist in Public Works, was put into an even more difficult situation than Cooper: Cutler’s initial complaint prompted an interview by internal audit, which not only treated his claims in a rather circumspect fashion, it immediately reported them to Charles Guité, his manager, and the person who happened to be the main perpetrator of the fraud. Cutler was not forced to suffer through a long, drawn out criminal trial like Cooper, however; rather, he was promptly demoted and relegated to months of sitting in an office without any tasks to complete, without any access to the internet, and with his phone calls monitored (Neu et al. *forthcoming*). Like Cooper, Cutler was alienated: he suffered the admonishment of his colleagues and, ultimately, damages to his mental and physical health.

It is instructive to draw attention to the ‘alienating,’ tragic, and unjust nature of whistleblowing in these two cases for a number of reasons: first, it needs to be said that whistleblowing, in both the public and private sectors, continues to entail serious personal costs to the whistleblower. Second, it should be pointed out that ideology plays a role in how whistleblowers are treated, as definitions of internal audit that suggest that it is a ‘consulting’ function and not a ‘policing’ function only undermine an internal-auditor-*cum*-whistleblower’s critical need for freedom and independence. Third, in the sponsorship case, it becomes clear that politics can undermine the integrity of auditors by keeping them from ‘doing the right thing;’ as their reliance on legal-rational procedures comes into conflict with political objectives, auditors might face expectations that, if held up against the virtues of independence and integrity, are plainly absurd (‘yes, your job is to determine if there is compliance, but if you find it don’t make it public; do the absolute minimum—to avoid prosecution’). Finally, it is interesting to consider how, in Cutler’s case, a committed and experienced employee can go from being an ‘everyday person’ to a ‘tragic hero,’ simply because he followed his ‘feeling’ about ‘doing the right thing’. In Cooper’s case, more than just feelings seemed to motivate her, as she also appeared to be guided by her belief in Christian doctrine¹¹, which prevented her from becoming an ‘absurd hero.’ Instead of simply acting on her feelings and courageously doing the right thing—and still suffering on account of it—she made ‘assertions of transcendence,’ putting her faith in a moral code that aspires to universality. For Camus,

¹⁰ Camus’ (1969) *The Stranger* offers a parallel here: the novel’s main character, Meursault, always speaks his mind, not caring how others see him. On account of this he becomes regarded as a stranger.

¹¹ Cooper makes allusions to Christian teachings and beliefs throughout her autobiography, such as on p. 20, where she refers to the mythical Good Samaritan (her “favorite Bible story”), and also on p. 284, where she invokes the 23rd Psalm. Tellingly, the latter passage suggests that for Cooper even strength and courage alone are not enough: “Yea, though I walk through the valley of the shadow of death, I will fear no evil; For thou art with me” (p. 284).

Cooper thus committed a form of ‘philosophical suicide,’ ‘negating authenticity’ (Duff and Marshall 1982), which prevented her from becoming a person of true integrity¹².

That said, and with many years having elapsed since the WorldCom collapse, Cooper could well have come to occupy that ‘dizzying crest’ (Camus 1983) where, on the one side, there is a world of reason and meaning, while, on the other, there is an ideologically-, politically-, and morally-infused world of practice, a distinct lack of reason, and, as Camus also points out, a loss of meaning. After all, the events surrounding the fraud forced Cooper to lose her faith, at least in the system, and turn toward improving leadership and the ethical foundations of business (see www.coopergrouppllc.com). One can only speculate, but what is certain is that she doesn’t ‘deny’ the existence of deceit, dishonesty and subterfuge in the world, and neither does she necessarily ‘despair’ of it. Instead, she is *acting*, which for Camus is a good thing, though he would probably hope that she has gone even further and embraced the absurdity of the world and become content with it, letting it ‘fill her heart’ (1983 p. 124). And if one can imagine Sisyphus being happy (*ibid.*), one might just imagine Cooper, and all other whistleblowers-*cum*-tragic heroes, being happy.

Internal Auditing’s Moral State of the Art

Having identified some of the ideological, political and moral challenges that internal auditors face—and the courage it at times takes to deal with them—it is worthwhile to consider the degree to which the profession’s spokesperson, the Institute of Internal Auditors (IIA), is cognizant of these challenges, and the actions that it recommends be taken in respect of them. While very little academic research has been conducted to date focusing on the activities and pronouncements of the IIA (or any of the various professional institutes, for that matter), one recent, exploratory study (Everett and Tremblay *forthcoming*) suggests that the Institute has yet to take the issues of ethics and whistleblowing very seriously.

From its website, it would appear that the IIA’s ethical perspective is largely ‘reasonbased,’ referring as it does to either deontic or teleic ethical notions. For example, in its document *Communicating Results*, one sees the internal auditor’s role couched in terms of duties, and the language is quasi-militaristic (e.g., the auditor is told to follow a ‘chain of command’). Similarly, in the document *Impairment to Independence*, auditors are told their ‘primary duty’ is to the Chief Audit Executive (CAE). The *Code of Ethics* is deemed ‘mandatory’ in the document *What Does it Take...*, as well as in the *Code* itself. Internal auditors are also expected to rely on a teleic morality, where the ultimate criterion is the maximization of the value that results (Pojman, 2005). This neoliberal, ‘value-added’ role is reiterated in the profession’s *Code*, which emphasizes the auditor’s need to add value in its definition of internal auditing. More telling perhaps are the ‘rules’ in the *Code* that detail objectivity. Here, the auditor is told that s/he ‘shall respect the legitimate and ethical *objectives* of the organization’ (our emphasis), which while not defining what is legitimate and ethical does suggest that objectives must be both legitimate *and* ethical to warrant the internal auditor’s respect. So too, the auditor is alerted to the importance of consequences in the document *Communicating Results*, specifically as these relate to the potential consequences of whistleblowing for both the auditor and the auditee.

The IIA does, however, at times refer to a less ‘reasoned,’ character-based form of ethics. It tells of the need for professionals to possess high levels of trust and integrity in *What Does it Take...*, and it appeals to virtues in its *Code*, though it would seem that it does this unwittingly: the *Code* is said to be comprised of ‘principles and rules,’ yet when one moves down to these ‘principles’ one finds what are probably best described as virtues, namely, integrity, objectivity, and competency.

¹² Sagi (2002, p. 68) describes Camus’ concept of philosophical suicide as the “attitude that seeks to solve the tension of the absurd through a comprehensive theory that will restore the hope for redemption and harmony”.

This rather haphazard approach gives the profession's ethics-related materials a certain kitschy feel. Kitsch, Ferguson reminds us (1993, p. 67), "comes in communist, democratic, feminist, European, and third-world varieties," yet it would seem there is an ethics-in-auditing variety as well: the IIA's website also "causes two tears to flow in quick succession" (Kundera, 21 1984, p. 251), one that says: How nice to see the IIA talking about the importance of ethics. The second tear, which is the essence of kitsch, says: How nice *to be moved*, together with all of the members of the profession, to see the IIA talking about the importance of ethics (ibid., p. 251). While the profession's ethics-related documents may not force the reader to shed real tears, they likely do have the effect of *moving* the reader, or at least inducing feelings in the reader "of a kind the multitudes can share" (ibid.). In Camus' terms (1983, p. 28), and building on this idea of kitsch, one wonders if the IIA is *itself* 'longing' for integrity, objectivity, and the like, or if it is only appealing to *our* longing for these things.

This feel-good factor is certainly present in the IIA's *Code*, which is said to be designed to 'promote an ethical culture in the profession'. What this means and how it might do this, however, is left to the reader to decide. Similarly, the 'principle' of integrity is said to help establish trust, but to whom that trust is paid is left unstated (the public? management? directors?). That is, who are auditors to be loyal to exactly, and whose trust might they be inclined to breach (Neu, 1991)? Included in the rules of objectivity is an appeal for auditors to 'avoid impaired judgment,' but again what this means and how one goes about protecting one's objectivity and judgment is a mystery, since objectivity is always an act of interpretation (Lavoie, 1987), and judgment is an ethical activity born of both the body ('a feeling') and the mind (Camus 1983, p. 20; Roberts 2008, p. 531). Finally, in the rules for competency the reader is told that auditors are to 'continually improve their proficiency and quality of their services'. In so far as this proficiency regards ethics, this would seem a rather difficult task, at least if the auditor were depending on the *Code* or even the IIA's website to develop such skill.

In fairness, there is one document that offers sage advice to the interested reader. That document is *Communicating Results*, and it appears aimed at potential whistle-blowers. In it, the IIA outlines the types of sensitive information with which auditors might come into contact. The document further discusses why someone might wish to go outside the organization should they discover a problem, and it highlights the fact that auditors might not be offered guidance or protection should they decide to whistle-blow. The interested reader is also told to proceed with caution and to 'always obtain legal advice'.

Other, recent additions to the website point toward a growing awareness among IIA staff of the need for a more authentic treatment of ethics, and materials that address the ideological, political and moral realities of practice. One piece, written as part of the internal auditor's 'Soap Box' series¹³, points to the difficulty involved in simultaneously attempting to exercise authority and foster trust (the author asks, paradoxically: 'how does one avoid having to force cooperation?') (Hasan, 2011). This same piece also points to the importance of political factors by observing that, "office politics sometimes prevents auditors from expressing their views," though this reference is highly muted. More importantly, given the importance of an organization's 'tone at the top,' IIA president and CEO Richard Chambers (2011) indirectly references the unreasonable nature of the world, lamenting the fact that government auditors, even though they 'lend a powerful hand to the elected and the electorate alike,' are rewarded only with 'disdain or, worse still, budget and head count reductions'. He recommends celebrating government auditors as the 'unsung heroes of [the accounting] profession,' further recommending that what they will need moving forward is, 'perhaps most of all, courage'. Finally, webinars are now being offered by the IIA that are beginning to address corruption and the role of internal auditors in its fight. In one, the internal auditor is ostensibly educated about 'everything they need to know about anticorruption,' including the importance of 'doing the right thing,' 'an independent

¹³ That issues such as these are associated with a metaphorical 'soap box' is itself demonstrative of the perceived degree of seriousness of these issues.

response to concerns,’ and ‘whistle-blower protections’ (IIA 2012). Details, however, are only available to those who paid to participate in the webinar (assuming details were provided)¹⁴.

To summarize this section, and what this research finds, is that the absurd reality faced by whistleblowers such as Cooper and Cutler remains poorly represented on the website, and the nuances and details of the tragic consequences of heroic or virtuous action are almost entirely absent. Beyond a few passing references to ‘office politics’ and the injustices experienced and courage needed by whistleblowers, the IIA’s ethics-related resources lack authenticity and consequently fail to cultivate either a form of ‘natural goodness’ (Foot, 2001) or the courage and ‘extreme awareness’ (Götz 1987) that are needed to occupy ‘the crest’. Similarly, there is little to suggest that the IIA feels any need to help its members or the wider population of practitioners deal with what is an ideologically-, politically-, and morally-infused world of practice.

■ CONCLUSION

In this paper, we considered some of the ways that ideology, politics and moral beliefs affect how internal government auditors address fraud and corruption. In respect of ideology, we suggested that these problems can be framed from either a neoliberal, ‘private interest/exit’ view or, more broadly, from a view that focuses on both control and voice. The implications for auditors of these two views are distinct. The first is rooted in competition and personal gain, and it has auditors focusing their attention on efficiency, attained through such things as the monitoring of productivity and waste, and conducting ‘value-for-money’ audits. This view is also reflected in consulting practices that benefit those to whom auditor’s provide advice, the ‘client,’ not to mention auditors themselves, in the form of often lucrative contracts. Missing from this perspective, however, is a concern with the ‘bigger picture’; specifically, the role that ideology plays in the way that corruption and fraud are defined and ‘thought about’ (Everett 2012).

In contrast to a strict focus on enabling ‘value-added’ and ‘exit,’ auditors need to continue providing the public with independently-derived and highly-comprehensive reports on government activity and spending, as is the case with the so-called Supreme Audit Institutions (SAIs), one of auditing’s ‘pillars of integrity’. Yet, the potential exists for the public’s voice to be promoted by auditors who draw attention to situations characterized by the scourge of power. In so doing, auditors become more active and adept in making institutions and organizations of all kinds not only more technically accountable, but also more *morally accountable* (Roberts 1991). Another way of saying this is that auditing’s exclusionary ethic (Michalowski & Kramer 2006)— its near-maniacal focus on the concerns of a small, elite set of ‘investor/shareholder interests’— needs to become much wider, more inclusionary, and more appreciative of the often absurd nature of the world.

The cases that we examined suggest that it would be naïve for an internal government auditor who detects fraud or an abuse of power to blindly have ‘faith in the system;’ even in the case of a mandated engagement aimed at detecting problems there is no guarantee that the problems will ever be made public. And where the fraud is uncovered outside of a mandated engagement, as we saw in the case of WorldCom, the price that one pays might indeed be great, at least until lawmakers begin to take whistleblowing more seriously and put meaningful legal and financial protections in place. Yet this too might involve having too much faith in the system. Perhaps it is best to adopt a hybrid ‘act and deny’ strategy, which would involve ‘leaking’ instead of directly reporting a fraud. This rather Machiavellian approach has the benefit of allowing the auditor to ‘do the right thing’ (report) and maintain some degree of authenticity, without having to make the great leap of

¹⁴ It is interesting to note that the IIA’s definition of corruption in this webinar relates exclusively to bribery. Moreover, the IIA’s webinar relies on a World Bank-funded organization, Transparency International, for the determination of the global location and prevalence of ‘corruption,’ which, as argued earlier in the paper, is seen in the neoliberal/private interest view to occur almost exclusively in the developing world.

faith that Camus warns us against. In any case, as it stands the profession's spokesperson, the IIA, has little to say regarding how an internal auditor should precisely deal with these situations, other than suggesting that s/he 'should obtain counsel'.

While Camus' work is insightful in accurately (we think) describing the meaninglessness and absurd nature of the world, and by directing us to stoically and courageously occupy 'the crest' and face this absurdity with 'passion, freedom, and revolt' (1983, p. 63, 64, 88, 117), his work is not without its limitations. Chief amongst these is that Camus' philosophy is itself rooted in liberal humanism, which, by its very definition, implies an atomistic focus on both human morality and agency. Camus' philosophy, as a form of moral individualism, is thus open to charges of inadequate attention to historical commitments, political power and other structural constraints. One commentator, Davis (2011), even goes so far as to label Camus 'an ally to neoliberalism,' suggesting that Camus' focus on self-reliance "echoes the neoliberal crusade against market regulations and social dependencies" (p. 230). To be sure, Camus does share one thing in common with advocates of neoliberalism, such as the World Bank and IMF, and that is an espoused commitment to ideological neutrality, though as we have also tried to show, Camus is more successful at this than are these highly ideologically-driven institutions. One of the reasons for Camus' success, we hasten to add, is that unlike these institutions, Camus professes the need for self-awareness, humility, and caution in the face of universalizing discourses.

Others see Camus' work as sufficiently appreciative of the social and political world, pointing to both his life-long engagement with human rights and justice and his works' compassion, honesty, and attention to the social other. One of Camus' defenders, Hall (1960), argues that the human actor is not for Camus as it was for Rousseau, an isolated individual. Adapting Gide's image, Hall sees Camus' actor as "a tree in the wood which does not develop independently, but in a 'situation' and in patterns imposed by neighbors competing for a place in the sun. Only man [sic] is unlike a tree among trees through awareness of his difference" (p. 28). And while it might be the case that liberal political philosophy is at times excessively focused on individual rights (esp., property rights), Camus would probably point out that the field of internal government audit is inadequately defending what it should trump as one of its own critical rights, 'the right to doubt' (Dunwoodie 2010, p. 106).

It is highly unlikely that government auditors will ever lead the way in the fight against fraud and corruption, and making this leap of faith would be a form of 'philosophical suicide'. That said, 'the absurd condition can be worsened' (Duff and Marshall 1982, Roberts 2008), and Camus would rather auditors participate in a fight against deceit, dishonesty and subterfuge than simply sit on the sidelines and observe that fight. And while government auditors are a piece in the anti-corruption puzzle (Hopper et al. 2009), they must still first figure out just who it is that they serve, whether it's management, a client, the public interest (Puxty et al. 1997) or, perhaps, themselves. Albert Camus (1983) would probably suggest the latter—not in the sense of the callously self-interested auditor, but in the sense of the auditor as a person of authenticity and *integrity*. For Camus, that means having faith in and being true to oneself, and never becoming imprisoned by a moral code, especially one that might only be appealing to our inherent vanity and tendency to long for a better world.

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