

BUAD 3000-INTEGRATED SKILLS FOR MANAGEMENT SESSION 10

An ethics self-exam: ethical compliance is not just an issue for external review; auditors must look inward to ensure their own integrity is not compromised
Internal Auditor, June, 2004 by Christopher Bauer

MOST INTERNAL AUDITORS recognize the importance of understanding and adhering to the ethical codes governing their profession as well as those pertaining to the organization they serve. Familiarity with established codes enables audit practitioners to maintain integrity in their work and promote an ethical environment within the organization.

Beyond following acknowledged rules and policies, however, auditors also need to self-monitor the non-governed behavior that can lead to workplace indiscretions. Ethics violations are often rooted in personal matters and have little or nothing to do with the perpetrator's knowledge of relevant ethics codes or level of professional competence. Instead, violations largely stem from conflicts between established ethical mandates and an individual's personal wishes or values.

Almost anyone, not just internal auditors, can benefit from taking a cold, hard look at his or her guiding values. Self-directed questions such as, "Do I really value honesty over all?" and "Do I place my own personal interests at the top of the list of priorities governing my business objectives?" can help auditors pinpoint their values and identify areas where their judgment might be most susceptible to compromise. This exercise serves as the cornerstone of a preventive maintenance approach to ethical practice.

AUDITING OUR OWN BEHAVIOR

Whether or not we are conscious of it, our behavior is governed entirely by our personal wishes and values. In other words, every choice we make is based on answering the question, "What is the most important thing for me to do right now?" Although this may seem obvious, few people take the time to consciously examine their values.

Experience tells auditors that any sign of a weak corporate ethical posture requires tighter control activities, risk assessment, monitoring, and thoroughness of both follow-up and review. The lack of an explicit, coherent organizational ethics program, for example, would be as blatant a red flag for audit problems as one might ever encounter. Yet, we are too often willing to allow ourselves to breach ethical principles in ways we would never dream of allowing our clients. For this reason, auditors' self-evaluations need to be every bit as thorough as their reviews of others.

Ramping up attention to accounting red flags in suspicious or investigative climates is perhaps second nature for most auditors. Screening for one's own personal ethics red flags, however, needs to be a focused, thorough, ongoing act of introspection regardless of the audit climate. Failing to do so represents a systematic reduction in our self-monitoring that can be an open invitation to cross ethical boundaries.

REASONS FOR UNETHICAL BEHAVIOR

The language those who breach ethical principles use to defend their wrongful behavior is often couched in professional jargon or legalese. However, when one examines the actual thinking behind an ethics lapse, the underpinnings of most violations fall within a short list of relatively benign or even positive-sounding personal wishes. That list essentially consists of the following few statements:

- "I just want to get ahead in life."
- "I just want more time for _____."
- "I just want to be liked/respected/left alone by _____."
- "I just want to be a good breadwinner/employee/colleague/partner."

Most likely, few people would find fault with any of these statements, as each one sounds fairly reasonable. Most of us would have reason to worry if we didn't wish for some or all of the above. In the right context, each statement has the ability to motivate an individual in many more positive ways than negative. At the same time, however, these wishes can serve as a catalyst for unethical practices, and auditors should learn to spot any negative pressures resulting from them. For example, the desire to fulfill some of these ambitions could lead an auditor to practice outside his or her areas of competency, fail to respond to the inappropriate actions of others, or misrepresent him or herself in some way. Warning signs need to be caught as early as possible to ensure behavior is directed toward the appropriate side of ethical boundaries.

SPOTTING RED FLAGS

Maintaining ethical practices requires constant critical thinking about the motivation behind our decisions. Failing to remain conscious of our decision-making processes can result in blindly moving into unethical territory. For this reason, auditors should pay close attention to their own red flags for ethical violations.

The easiest red flags to spot are rationalizations created to justify our behavior. More specifically, we need to remain aware of the way in which we talk to ourselves about making questionable choices. Auditors should pay attention anytime they find themselves thinking the following:

"This is such a small indiscretion; who will notice?"

"This questionable act really won't hurt anybody."

"I don't feel comfortable doing this, but if this is what it takes to get ahead (via money/work/promotion/prestige) I should probably do it."

"Everybody else does it, so why shouldn't I?"

"I hope _____ doesn't find out about this."

"Because _____ is in charge and he/she told me to do this, I have no choice but to comply."

"I need to do this so I don't fail/disappoint _____."

"If I do this, at least I can get _____ off my back."

Each of these thoughts represents a sign that an individual may be heading down the slippery slope of ethical misconduct. None of the thoughts, of course, indicates definitively that some type of violation has occurred or that one may necessarily occur soon. However, upon becoming aware of any of these rationalizations, a preventive maintenance approach requires immediate examination of one's behavior.

RESPONDING TO RED FLAGS

When finding ourselves at any stage of questionable behavior, we often feel too confused, embarrassed, or frightened to share our problem with someone else. Most auditors, after all, are responsible for detecting and preventing possible ethics lapses, not creating them. Yet it is during times of ethical uncertainty that we most need the insight and support of others.

Internal auditors should develop a list of consultants to whom they can turn upon encountering an ethical dilemma--or even when dealing with the preliminary stages of an ethical challenge, before it becomes a dilemma. Of course, conflicts can arise not only from professional matters but also from issues related to areas such as physical or mental health, substance abuse, religious or spiritual conflicts, and relationship difficulties. Therefore, auditors may not want to rely exclusively on their audit colleagues for help; guidance can also be sought from legal advisors, business associates, financial advisors, religious or spiritual advisors, medical providers, etc. Anyone who can provide informed, clear, direct feedback and facilitate critical thinking about personal or professional concerns represents an effective consultant.

If the issue requiring consultation is technical in nature and pertains to an audit in progress, auditors should make every effort to either halt the audit briefly or shift temporarily to an unrelated portion of the audit until required consultation can be secured. Because this may lead to concerns regarding completion time for the audit, auditors should be prepared to explain that the integrity of the audit will require consultation and that, ultimately, all parties will be better protected if the time for consultation is taken. In fairness to the client, consultation should be obtained as quickly as is reasonably possible.

For risk management purposes, it is important for the auditor to document the nature of the consultation as well as any recommendations provided by the consultant. Should anyone question decisions that were made during the audit process, having evidence to show that competent, expert consultation was sought can be extremely helpful.

ON THE RIGHT PATH

Ethics violations come in all shapes and sizes. Auditors shouldn't be fooled into thinking that a "small" violation is necessarily any less harmful than a large one. Once someone begins overcharging, underworking, practicing outside his or her area of competence, or allowing even small inaccuracies, the stage has been set for progressively more inappropriate practice. It's simply human nature. Furthermore, even a small ethical violation may still have extremely large consequences. A minor indiscretion, ultimately, can result in significant consequences for the person who committed the act if, for example, it represents the basis for ethics or legal charges.

Despite existing stereotypes, most ethics violations--even the most egregious cases--are not caused by "closet corporate psychopaths." Instead, violations are often committed by otherwise good people who know exactly what constitutes, appropriate behavior but are drawn into progressive indiscretions.

Just because someone perceives him or herself as a "good person" or understands established rules and policies, this shouldn't serve as a reason to be any less thorough in self-evaluation. None of us is as objective about ourselves as we might imagine. Each of us, regardless of our best intentions, has the potential to be swayed in our judgment by the stresses and pressures that life throws our way. Paying attention to those stresses--both on the job and outside the office--and acting immediately to deal with them is frequently what makes the difference between maintaining appropriate professional behavior and failing to do the right thing.