This paper examines the case of the internal auditor from a sociological and ethical perspective. Is it appropriate to extend the designation of professional to internal auditors? The discussion includes criteria from the sociology literature on professionalism. Further, professional ethical codes are compared. Internal auditors' code of ethics is found to have a strong moral approach, contrasting to the more instrumental approach of certified professional accountants. Internal auditors are noted as using their code of ethics to help resolve professional ethical dilemmas.

Introduction

Society grants professional standing to those groups which contribute to the well being of the broader society. Business experts in such groups as business ethics consultants and internal auditors lay claim to professional standing which if granted enhances both their credibility and marketability. But is this claim justified? Although business ethicists are beginning to debate this issue they presently lack a common body of knowledge or agreed upon expertise. As defined expert knowledge is one of the common criterion for professional definition their claim awaits the development of consensus (Cohen, 1992; Stark, 1993; and Dean, 1997) However a similar group, internal auditor's have a fifty year history of moving to achieve this recognition. This paper will examine the justification of their claim to professionalism in light of current practice.

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This is of importance to society because internal auditor's provide a peculiar service in that they contribute to the control of the integrity of financial information in a market economy. Public accountants, represented by the American Institute of Certified Public Accountants (AICPA) have long held professional status based on their responsibility to audit publicly issued financial statements. Public accountants provide a range of service but are specifically licensed to perform the external audit of publicly issued financial statements. Internal auditors in contrast have no licensure requirement and practice within the corporation or organization that employs them. There may be great similarity in the work performed by these two branches of accounting. Internal auditors may perhaps be considered a subset of accounting and as such may be included under the professional rubric. However they may also be viewed as a particular class of business expert or consultant, not serving the public good and not necessarily adhering to standards or codes of conduct, in which case the claim to professionalism would not hold.

However, as a result of the Foreign Corrupt Practices Act of 1977 corporations are required to maintain effective internal controls to prevent fraud and bribery of foreign officials. Internal auditors have been instrumental in providing this service as well as compliance audits to ensure meeting regulatory requirements. Society appears to expect a professional service even though licensure has not been required nor formally granted. The internal auditor serves an important link in the business and financial reporting process of corporations and not for profit providers but can they be considered professionals?
Are internal auditors properly designated as professionals? This continuing discussion is emphasized by Wesberry’s (1989, p. 25) regretting that internal auditor's cannot yet claim to “have arrived”, to unequivocally claim professional status. Further debate arises as questions about future directions for internal auditing indicate a wide range of possibilities. Opposite ends of the spectrum are expressed by an interview with Michael Hammer (1998) and a review of Israeli legislation (Friedberg and Mizrahi, 1998). In an interview published in the Internal Auditor, Michael Hammer encourages internal auditors to move to a consultancy position and to convince management that the consultant’s role is in fact the role in which the internal auditor adds value to the company. This contrasts to the prominence internal audits were recently accorded in Israel where the Knesset mandated that every public body or organization must have an internal audit. Thus we see the current debate as whether internal auditors are classified as workers with a particular expertise, or as professionals?

This discussion can be informed by reference to the sociology of professions and examination of the proposed profession’s ethical code. The author examines the unresolved claim of professional status for internal auditors and considers their development and use of a code of ethic as one type of supporting evidence. The specific case of the internal auditor is addressed by reviewing: 1) the internal auditor’s claim to professionalism based on their function in society, 2) criteria for professions, and 3) development of an ethical code.

The paper is organized as follows: the examination is located in the societal perspective and then specific professional characteristics are reviewed. The third section discusses codes of ethics and compares elements contained in recognized professional accounting codes. Section IV discusses the internal auditors code in particular, the guidance for conflict resolution and finally, the moral focus of the internal auditor’s professional ethics code is discussed. Section five is the conclusion.

**Professionalism: A societal perspective**

Accountants perform agreed upon services within an orderly social and economic context. The claim to classify accounting, and auditing, as classical professions is based upon their relationship to society as a whole and the question of professionalism must therefore be studied not just in the context of a division of labor but, “as part of a network of social and economic relations (Dingwell, p. 12). Professions do, in fact, contract with society and a sociological level of analysis is thus useful in examining accounting practice (Fogarty, 1995). The functionalist perspective deriving from Parsons (1951, 1968) classic works in particular provides a useful explanatory model for understanding accounting in its social environment. Functionalists contend that society will organize to maintain itself and then various functions arise to preserve the stability of the social system. Anthropologists utilizing functionalism as a heuristic tool have identified four of the prerequisites to maintain society as: 1) shared cognitive orientations, 2) normative regulation of means, 3) effective control of disruptive forms of behavior and 4) communication (Aberle et al., 1960). Accounting reports as an inherent part of the resource allocation process and can appropriately be viewed as communication as well as one of the control mechanisms (Reynolds, 1989). The functionalist perspective is chosen from among possible approaches such as taxonomic, neo-Weberian, or Marxist (Saks, 1988) as relevant to accountants. As Montagna (Freidson, 1973, p. 146) notes professional accountants are, “designers of order”. Accounting theory follows the basic assumptions of the functionalist perspective in that they contribute to accurate communication, control and the maintenance of order. Although work on professions following a functionalist foundation is continued by Moore (1970), some specific insight can be gained by returning to issues raised by Parsons and Hughes in earlier work.

A range of criteria have been proposed as indicators of professional status in this society. Parsons focused on the function served, i.e. maintenance of order and control, while Hughes discussed licensure and certification as indicators