

Chief Audit Executives' Perceptions of Drivers of Moral Courage: Tunisian Evidence

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Abstract:

A string of accounting-related scandals has revealed key shortcomings in internal auditor truthfulness. These scandals have led researchers, professional organizations and institutions to question causes of internal auditor silence and the failure of ethical guidelines.

This study responds to these questions by revealing moral courage as the missing ingredient in internal auditor ethical instruction and as the tool needed for internal auditors to preserve their integrity and overcome their fears. Building on what is currently known of internal auditors and moral courage, this study sheds light on professional and ethical requirements placed on internal auditors to tell the truth, and it emphasizes the role of moral courage in guiding their ethical behaviors. It also considers what must be known about the development of moral courage among internal auditors and seeks to identify the factors that promote internal auditors' moral courage through thirty structured interviews with chief audit executives.

Keywords: Internal auditor; Management fraud; Fear; Silence; Moral courage; Ethical behavior; Telling the truth; Tunisia.

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1 Introduction

The Institute of Internal Audit (IIA) defines internal auditing as an independent, objective assurance and consulting activity designed to add value and ameliorate organizations' operations. It helps an organization to achieve its objectives by bringing a systematic, disciplined approach to assess and enhance the effectiveness of risk management, control, and governance processes.

An overwhelming body of research has recognized internal auditors as the most helpful professionals in detecting and uncovering asset misappropriations and corruption schemes because of their direct interaction with management personnel (Abbott et al., 2012; Halbouni, 2015). In this sense, internal auditors have been the most blamed professionals after every arising scandal: "*Where were the internal auditors? Why didn't they see this crisis coming?*" (Sarens, 2014, p.103) Accordingly, they become viewed as *gatekeepers* who failed to prevent the financial crisis (Chambers and Odar, 2015).

A growing body of research argues that the silence of internal auditors about management fraud and irregularities is one of the causes that leads to crises (Everett and Tremblay, 2014; Khelil et al., 2016). In this context, certain authors describe internal auditors as *secret keepers* who seek to conceal critical information that the top manager tries to hide from the members of the audit committee (Roussy, 2013). They claim that their role as keepers of secrets is in conflict with the ethical standards governing the activity of internal audit (Khelil et al., 2016; Roussy, 2013).

Traditionally, it has been argued that the ethical conflict that faces the internal auditor is stemmed because of the conflicting loyalties that are involved in the role of the internal auditor (Barrett, 1988). As members of a profession, internal auditors are required to respect the principals of integrity and objectivity enclosed in the ethical code. They are also required to meet the standards of professional practice which decree that the internal auditors must disclose fraud directly to the audit committee. As members of an organization, they are often obliged to follow the objectives of management and to meet their expectations (Arnold and Ponemon, 1991; Roussy, 2013).

These conflicts certainly place the internal auditor in an ethical dilemma. However, when the auditor is confronted with a challenge to ethics or he/she recognizes a moral issue (Rest, 1986), organizational pressure can give the internal auditor a reason to act or to remain silent (Khelil et al., 2016).

Recognizing that organizational pressures can compromise one's ethical behaviors, Comer and Vega (2011) explain that "*to overcome these pressures we need to promote moral courage*" (p.xvii). Comer and Vega (2011) add that the moral courage is the missing ingredient in ethics instruction. Organizational ethics scholars support this view and advocate that moral courage explains why an employee behaves ethically when another who is in the same position and arrives at the same ethical decision point does not (Khelil et al., 2016; Harbour and Kisfalvi, 2014).

While extensive research has been conducted on internal auditors' responsibilities to behave ethically and to tell the truth by disclosing cases of fraud (internally or externally), too little attention has been paid to how internal auditors are encouraged to exercise this responsibility.

This study permits to fill this gap by advancing knowledge of the causes of internal auditor silence on managerial malfeasance and fraud. It also attempts to identify the factors that promote moral courage among internal auditors in Tunisia. Our main motivation for examining the Tunisian context is that Tunisia is in the midst of a revolution. This social, financial and economic revolution that seeks to fight corruption (fraud, unethical behaviors, and illegal acts), urges us to identify the factors that enhance internal auditors' moral courage to speak up about corruption deeds.

Additionally, based on the rich literature from several fields (accounting, philosophy, psychology, and business ethics), our study makes a significant contribution to business ethics literature. It provides a detailed illustration of the determinant role of moral courage in overcoming fear and clarifies the importance of this virtue throughout the process of ethical decision making.

The structure of the paper is organised as follows. Next section discusses what we know about moral courage and internal auditors. What we need to know about the factors enhancing internal auditors' moral courage is presented in Section 3. Section 3 also discuss our research methodology and the empirical analysis. Section 4 discusses our findings. Section 5 concludes.

2 What do we know about moral courage and internal auditors?

2.1 Workplace moral courage and its components

Reflecting the influence of ancient philosophers, moral courage in the workplace has been described as a character virtue, as a state of character, as a quality of mind, as a moral competency, as an attitude, as a construction, or as an act. It has been contextualized in different organizational and market environments, and it has been studied in various organizational cultures (Harbour and Kisfalvi, 2014).

Kidder (2005) posits that moral courage “*grew out of an ethical commitment, a kind of inner moral compass calibrated by a set of core values*” (p. viii). It “*... lifts values from the theoretical to the practical and carries us beyond ethical reasoning into principled action*” (p.3). Consistent with Kidder (2005), Sekerka et al. (2009) describe professional moral courage as “*a competency exercised in the workplace as managers face ethical challenges with a moral response*” (p. 568).

According to Hannah et al. (2011a), moral courage refers to one's will to overcome threats, risks, and other challenges in order to act in an ethical manner or to resist pressures to act unethically. In other words, it is the ability to use internal principles to do what is good for others, regardless of any threat. In the same vein, Comer and Vega (2011, p. XVI) see moral courage as that which “*...compels or allows an individual to do what he or she believes is right, despite fear of social or economic consequences.*”

Although moral courage has attracted considerable attention in the business ethics literature, there has been little discussion of its components. Koerner (2014) admits that there is a consensus in the courage literature that courageous behaviors consist of three vital components: (1) a morally worthy goal, (2) intentional action, and (3) perceived threats, risks, or obstacles (Goud, 2005; Kilmann et al., 2010; Sekerka et al., 2009; Woodard, 2004). Koerner (2014)

agrees that all three elements must be presented for an act to be deemed courageous. We define each of these elements below.

Morally worthy goal: A courageous behavior implies the pursuit of worthy and noble ends (Goud, 2005; Koerner, 2014; Sekerka et al., 2009). Such behaviors may be intended to reach an ethical objective (e.g., combating an illegal policy), support a principle (e.g., speaking out against injustice), or benefit another individual or group (e.g., engaging in organizational citizenship). Behaviors intended only to further one's self-interest or to perform an unimportant goal are not deemed courageous, even when such acts entail considerable risks (Koerner, 2014).

Intentional action: A courageous behavior is willfully chosen, and effort is expended to ensure that the behavior is performed (Goud, 2005; Harris, 2001; Koerner, 2014). As free choice and action both are essential, risky behaviors that result from chance or coercion are not courageous, nor are bold plans and decisions that are not carried out. Koerner (2014) adds that courage may at times require an intentional choice to not act (e.g., when an individual resists pressures to participate in unethical behaviors). Perseverance and endurance are often required to ensure that an objective is achieved (Sekerka et al., 2009).

Perceived risks, threats, or obstacles: A behavior is only deemed courageous if it implies known personal threats, risks, and obstacles (Harris, 2001; Koerner, 2014). Koerner (2014) claims that such risks must be significant and argues that in a workplace setting, risks can be economic (e.g., career derailment), social (e.g., loss of friends), physical (e.g., bodily injury), or psychological in nature (e.g., anxiety).

Koerner (2014) asserts that while research on the components of courage is limited, the three elements defined above are supported in studies on courage construction (Rate et al., 2007; Sekerka et al., 2009; Woodard, 2004).

From what we describe above, we define a morally courageous person as someone who is able to use his/her inner principles to consistently make decisions in accordance with what is beneficial for others, despite personal risks or threats involved.

2.2 A truth teller: The internal auditor as a whistleblower

The internal auditing profession uses several mechanisms to promote truthfulness through, for instance, the establishment of professional internal auditing standards and ethical codes, Securities and Exchange Commission (SEC) rules, as well as laws and regulations (e.g., Sarbanes–Oxley (SOX)).

The IIA is the primary professional organization that sets standards for auditing practice to encourage sensitive information reporting both internally and externally. In fact, truthfulness is rooted in definitions of internal auditing in that it emphasizes the two key concepts of independence and objectivity, the main tools that support truthfulness.

In addition, the IIA's (2013) Standards 2060: *Reporting to Senior Management and the Board* states that “*The chief audit executive must report periodically to senior management and the board of the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.*”

According to Practice Advisory 2440-2: ‘*Communicating Sensitive Information within and outside the Chain of Command*’ related to internal audit standard 2440, internal auditors often come into possession of critically sensitive information that is of significance to an organization

and that poses severe consequences. This information may be related to exposure, fraud, illegal activities, threats, uncertainty, mismanagement and waste, misconduct that endangers public health or safety, the abuse of power, or other wrongdoings. Furthermore, these matters may adversely affect an organization's reputation, viability, image, market value competitiveness, success, intangible assets and investments, or earnings.

Practice Advisory 2440-2 explains that *'In some situations, an internal auditor may face the dilemma of considering whether to communicate the information to persons outside the normal chain of command or even outside the organization. This communication is commonly referred to as "whistle-blowing." The act of disclosing adverse information to someone within the organization but outside the internal auditor's normal chain of command is considered internal whistle-blowing, while disclosing adverse information to a government agency or other authority outside the organization is considered external whistle-blowing'*.

According to Miceli et al. (1991), internal auditors are required to ensure the adequacy and effectiveness of their firms' internal control; they prevent, investigate, detect, and report fraud and other wrongful acts in organizations. Thus, when an internal auditor acquires evidence that financial statements exposed to the public are misleading or that theft is occurring, he/she must decide whether to report the incident and if so, whom to report to. Miceli et al. (1991) assert that internal auditors can report to audit committees at some companies and or otherwise provide information to external audit members. Finally, internal auditors can report to others outside of an organization (e.g., members of Congress or the media) (Miceli et al., 1991).

2.3 Telling the truth as ethical behavior

"All that is necessary for the triumph of evil is that good men do nothing" (Burke, 2013, p.40).

In addition to being bound by duties that prevent them from behaving in their self-interest, the code of ethics requires internal auditors to not be influenced by their own interests and to remain unbiased in order to tell the truth (Norman et al., 2010). Given the trust placed in internal auditors to provide objective assurance on corporate governance processes, risk management systems, and control, the IIA Code of Ethics (IIA, 2013) emphasizes a number of cardinal principles that internal auditors are expected to uphold. It also presents the rules of conduct which specify norms of behavior expected of internal auditors.

Cardinal principles such as integrity and objectivity are understood to be applied and upheld by internal auditors in order to remain unbiased and truthful.

Stressing that *"the integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment,"* the rules of conduct emphasize that internal auditors shall perform their work with honesty, diligence, and responsibility. In addition, they observe the law and make disclosures expected by law and within the profession.

In this context, Bayou et al. (2011) clarify that norms for professional and academic accountants fight for integrity. The authors state that *"Thou shalt search for the truth, pursue it wherever it may lead, and communicate it to whoever may be interested in it"* [Bunge, (1996), p.234].

Given that employee untruthfulness and silence can have deleterious consequences in work and have even contributed to corporate scandals (Kish-Gephart and Bureaux-Soignet, 2013), a growing body of literature depicts telling the truth via whistle-blowing as an ethical and prosocial behavior (Harbour and Kisfalvi, 2014; Miceli et al., 2012).

Miceli et al. (2012) find that when organizational wrongdoing is reported, employees generally view an organization more positively. Furthermore, whistle-blowing in fraud cases has saved the US government and other organizations significant amounts of money. It has repaired also injustices suffered by the less powerful at the hands of dishonest corporations (Kohn, 2011). In parallel, Burke (2013) argues that whistleblowers have saved not only organizations, but they have saved also the lives of organizational employees, product consumers, investors, taxpayers billions of dollars and citizens in general.

The ethics literature envisions whistle-blowing as an altruistic act associated with ethics (Burke, 2013; Harbour and Kisfalvi, 2014). Indeed, such adjectives inspired from religious and ethical glossaries are used when describing whistleblowers. Burke (2013) describes them as *'people of conscience'* who act to enhance human welfare and to make the world a better place. Grant (2002) has gone further to describe them as *'Saints of Secular Culture.'* Avakian and Roberts (2012) view them as *'prophets'*. They explain that whistleblowers, like prophets, show concern for ethics and moral values that have implications for the welfare of others and which they attempt to strengthen through their whistle-blowing acts.

Although the professional and ethical standards of internal auditing functions are designed so that internal auditors act as truth tellers in organizational contexts, internal auditors still face ethical conflicts (Roussy, 2013) when the disclosure of audit results can have negative effects on their careers (Khelil et al., 2016). Indeed, such questions raised in previous literature (e.g., *"What about an internal auditor in regard to detecting and disclosing fraud cases related to the handling of financial information produced by the management of an organization?"* (Roussy, 2011, p. 61) or *"How is it possible not to harm the top manager while giving an accurate picture? That is a real difficulty"* (Roussy, 2013, p. 560) reveal challenges faced by internal auditors in telling the truth about management fraud.

2.4 Why do not internal auditors tell the truth?

"When do people learn that telling the truth can have negative consequences? When do people learn to fear telling the truth? I believe this happens at an early age. Children quickly learn what to tell their parents and what not to tell their parents"[(Burke, (2013), p.10; in Cooper and Burke, 2013].

Recognizing that high status group members often maintain powerful alliances to punish those who threaten their positions (Kish-Gephart et al., 2009), an overwhelming body of research has shown that fear is the main factor that leads would-be speakers to remain silent by withholding sensitive information (e.g., acts of fraud committed by managers) (Dutton et al., 2002; Kish-Gephart and Bureaux-Soignet, 2013; Milliken et al., 2003).

The negative effects of fear stemmed from managers' firing authority on one's willingness to report negative information emerges through concerns that internal auditors repeatedly express (Chadwick, 1995; Everett and Tremblay, 2014; James, 2003; Norman et al., 2010).

According to James (2003), as senior management teams often make decisions regarding internal auditors' careers, internal auditors must risk their careers by reporting violations committed by their managers. Consequently, this fear of being dismissed urges internal auditors to not report offenses committed by their managers.

The findings produced by James (2003) are supported by Chadwick (1995). This later conducted an interview with 12 chief internal auditors of important publicly held firms. The interviewees were asked whether they would report any of several offenses committed by a senior manager, (e.g., limiting information flows to audit committees and restricting the exposure of proof from an audit). Expressing their fears of job loss, all of the respondents admitted that they would not report the incidents because they would certainly be fired and would never be able to secure other positions as senior internal audit officials. Kalbers (1992) reports the same concerns from a survey of chief internal auditors whereby several respondents cited career concerns behind their reluctance to report issues to audit committees.

In the same vein, Norman et al. (2010) note that internal auditors may experience pressures to compromise their independence and objectivity to appease their managers. They claim that internal auditor judgments can be both intentionally and unintentionally biased when auditors are motivated by personal benefits or protection from personal harm. Based on that underlying motives to protect one's self-interest can result in illusory objectivity, Norman et al. (2010) attempt to show how internal auditors alter their assessments of fraud risk in order to protect themselves. The survey findings are in agreement with those produced by James (2003), Kalbers (1992) and Chadwick (1995). Norman et al. (2010) find that internal auditors face pressures from managers who urge them to alter reports of fraud risk presented to audit committees. In addition, fears related to severe personal consequences (e.g., job loss and missed promotions) stemmed from reporting high levels of fraud risk motivate internal auditors to avoid reporting serious risks to audit committees. In turn, even the most ethical and impartial internal auditors can still unconsciously change their assessments of fraud risks in order to protect themselves.

Despite this overall consensus on the effect of internal auditor fears on their reluctance to tell the truth, there is very little understanding of ways to overcome such fears and to engage in ethical behaviors (telling the truth). In this context, we recognize that silent internal auditors must find a way to overcome this tendency to resort to silence and to take action despite fear. In what follows, we show that moral courage is the virtue and the moral competency required to overcome internal auditor's fear and then to break silence (Khelil et al., 2016; Morales-Sánchez and Cabello-Medina, 2013; Sekerka et al., 2009). Accordingly, our paper provides an exciting opportunity to advance our knowledge of the role moral courage in enhancing the truthfulness of internal auditors.

2.5 Moral Courage, internal auditors and ethical decision making

The moral courage is described as a psychological force (Gruber, 2011) and as the virtue of willpower (Sekerka and Bagozzi, 2007). In this sense, several attempts have been made to reveal the role of moral courage in enabling ethical behavior (Hannah et al. 2011b; Kidder, 2005; Rest, 1986; Sekerka and Bagozzi 2007; Thorne, 1998).

2.5.1 Ethical decision making

Morales-Sánchez and Cabello-Medina (2013) define ethical decision making as “*a process constituted by all the stages an individual has to go through from the moment a moral problem arises until he or she engages in a given behavior*” (p.718). Despite the existence of different models of decision making that represent this process, there is a consensus in the literature (Armstrong et al., 2003; Kish-Gephart et al., 2010; Morales-Sánchez and Cabello-Medina, 2013) that the process that one pursues before engaging in ethical or unethical behaviors

matches that of Rest's Four-Component Model. Rest's model suggests that an individual facing a moral dilemma must move through four different stages: *moral sensitivity*, *moral judgment*, *moral motivation* and *moral character* (Rest 1986).

Moral sensitivity or the awareness of a moral dilemma is linked to the fact that an individual must be aware of the existence of a moral issue before exhibiting ethical behaviors. The decision maker must be aware of two principles: first that his/her behaviors will affect other people by either helping or harming them and second that he/she has various options to choose from (Hannah et al. 2011b; Jones, 1991; Morales-Sánchez and Cabello-Medina, 2013). Therefore, it is a deliberate behavior. These two characteristics of the problem imply that actors regard themselves as moral entities (Jones, 1991). Rest (1988) stresses that moral sensitivity implicates imaginativeness by involving the construction of possible scenarios and the use of empathic and role-playing skills (Morales-Sánchez and Cabello-Medina, 2013; Rest and Narva'ez, 1994).

The second component is a *moral judgment*, by which actors evaluate the 'good' or 'bad' aspects of each behavior. According to Rest (1986), to behave ethically in a particular situation, an individual must be able to make a judgment about which course of behavior is more ethically justifiable and to label one line of action as right or wrong. Therefore, the objective of this component is to acquire a moral label for every possible behavior regardless of any personal interest.

The third component, *moral motivation*, can be understood as a "*willingness to take the moral course of action, placing moral values (human goods) above other values, and taking personal responsibility for moral outcomes*" (Mele', 2005, p. 104). The moral motivation affords an individual with a moral intention that is depicted as one's desire to engage in a particular action (Kish-Gephart et al. 2010; Morales-Sánchez and Cabello-Medina, 2013).

Finally, *moral character*, the fourth component, involves implementing and exhibiting such behaviors (Rest, 1986). According to Morales-Sánchez and Cabello-Medina (2013), the path from moral intention to moral behavior is not always straightforward. An individual must work around difficulties and impediments and overcome temptations, fatigue, challenges and frustrations related to taking the right course of action (Hannah et al. 2011a; Rest 1986;). This phase of the ethical decision-making process has also been referred to as ethical behavior (Kish-Gephart et al. 2010), moral action (Hannah et al. 2011a) or moral behavior (Moberg and Seabright, 2000). Researchers (e.g., Trevino et al., 2006) have focused on unethical (rather than ethical) behaviors, which are defined "*as any organizational member action that violates widely accepted (societal) moral norms*" [Kish-Gephart et al. (2010), p. 2].

2.5.2 Moral Courage employed during the internal auditor ethical decision making process

The moral character "*involves figuring out the sequence of concrete actions, working around impediments and unexpected difficulties, overcoming fatigue and frustration, resisting distractions and allurements, and keeping sight of the eventual goal. Perseverance, resoluteness, competence, and character are attributes that lead to success in Component 4*" [Morales-Sánchez and Cabello-Medina, (2013), p.722], Morales-Sánchez and Cabello-Medina (2013) suggest that courage facilitates the last component of the ethical decision making process. Indeed, the moral competency of courage refers to those abilities that are needed to accomplish certain mental or physical tasks.

Despite all possible internal and external difficulties, Morales-Sánchez and Cabello-Medina (2013) contend that this ability to perform ethical decisions relates to courage (Mele´, 2012). Thus, the more developed an individual’s moral competence in courage is, the more likely he/she will be to move from moral motivations to ethical behaviors. As a result, the authors conclude that courage positively impacts one’s moral character.

In recognizing that the possession and exercising of virtues tends to increase one’s propensity to act in an ethical manner (McIntyre, 1984), recent research has drawn attention to the importance of the virtue of moral courage to ethical auditor behaviors (Armstrong, 2003; Mele´, 2005; Dobson and Amrstrong, 1995; Everett and Tremblay, 2014; Libby and Thorne, 2004, 2007; Mele´, 2005). The importance of the virtue for auditors has been theoretically and empirically recognized by academics and more recently in practice by regulators and the entire auditing profession (Libby and Thorne, 2007).

Prior research has shown that the key purpose of virtue is to ensure that auditors comply with their ethical judgments, even in the face of sanctions or pressures (DeZoort and Lord, 2001; Libby and Thorne, 2007). In addition, the importance of auditor virtue has been recognized by regulators and through professional codes of conduct employed across the global (e.g., Independence CICA (the Canadian Institute of Chartered Accountants) Exposure Draft, 2002; Sarbanes-Oxley, 2002). According to the Professional Code of the Institute of Chartered Accountants of Ontario (ICAO) "...*ethical conduct in its highest sense...is a product of personal character – an acknowledgement by the individual that the standard to be observed goes beyond that of simply conforming to the letter of a list of prohibitions*" [Libby and Thorne, (2007), p.89-90)].

According to Libby and Thorne (2007), virtue is critical to the auditor’s role given that an auditor’s key duty is to protect the public interest, and judgment must be exercised in fulfilling this duty (Dobson and Armstrong, 1995). Indeed, auditor virtue entails the qualities and motivations that allow an auditor to make ethical judgments consistent with public expectations. Based on Pincoffs (1986), Libby and Thorne (2007) qualitatively seek to identify the set of virtues that are associated with the ethical judgments of auditors. They show that courage is an instrumental virtue that plays a key role in promoting the ethical judgment of auditors. This complements the conclusions of Hurtt et al. (2013) that moral courage is influential in prompting auditors to take action on the judgments that they make.

The role of moral courage in enhancing an auditor’s moral character is also evident in Armstrong et al. (2003). The authors view moral courage as an instrumental virtue that determines an auditor's ability to act in accordance with his/her ethical intentions. Based on the cognitive-developmental perspective and on virtue ethics theory, they explain that one’s ethical character impacts his/her desire and ability to behave in accordance with his/her ethical intentions. The feature that determines one’s ability to execute one’s ethical intentions is thus the instrumental virtue. As a result, the integrative perspective suggests that one’s ethical character is a reflection of his/her instrumental virtue (Thorne, 1998).

Building on Thorne (1998)’s model adopted from Rest’s Four-Component Model of ethical decision making (see figure 1), Armstrong et al. (2003) note that courage is an essential virtue of the fourth component, as it enables individuals to move from ethical intention to ethical behavior (Rest et al., 1999). In turn, a moral character is depicted as “*persisting in a moral task, having courage, over-coming fatigue and temptation, and implementing subroutines that serve a moral goal*” [Armstrong et al, (2003), p.2].

Insert Figure 1 about here

In the same vein, Everett and Tremblay (2014) claim that accountants and auditors have lost sight of their moral compass. They conclude that when evaluating auditing ethics, it is not sufficient to focus strictly on auditing practices; it is also necessary to examine the ethical nature of auditors themselves. In this sense, they examine the autobiography of WorldCom's ex-Vice President of Internal Audits "Cynthia Cooper" in order to identify the crucial practical virtues that led this latter to behave ethically and to tell the truth through whistle-blowing. They find that Cooper's autobiography serves as a rare glimpse into the reality of practice. It highlights the values of a noted moral exemplar and furnishes insight into the costs that such a person is at times obliged to pay. They also find an obvious concern with moral courage as a radical virtue. In their detailed examination of Cooper's autobiography, the authors find that Cooper's decision to step forward and bring WorldCom's fraud to light was based on her courage and resilience in the face of threats. Indeed, Cooper, who was "*admired for her courage*" (Everett and Tremblay, 2014, p.6), shows her positive adaptation in the face of adversity, threat and risk. She has had to endure serious consequences of demoralization, loneliness, and humiliation in addition to several physical costs.

Thanks to her courageous actions, Cooper was named by Time magazine as 2002's 'Person of the Year.' She was also the 2004 inductee of the AICPA Hall of Fame (the first woman to do so). She was awarded the 2003 Maria and Sidney E. Rolfe Award of the Women's Economic Round Table as well as the American Accounting Association's 2003 Accounting Exemplar Award (Everett and Tremblay, 2014).

In the same vein, Roussy (2012) conducts semi-structured interviews with fourteen members of audit committees belonging to organizations of the Quebec public sector in order to target the expectations of audit committee members vis-à-vis internal auditors. She finds that the integrity and courage are the two essential values that must have an internal auditor to discuss sensitive issues. According to the interviewed committee members, courage and integrity go hand in hand. She concludes that internal auditors must be courageous enough to describe things as they are to permit audit committee to trust their work and the content of various audit reports.

3 What do we need to know about the moral courage of internal auditors?

Although interest in moral courage has recently increased among both researchers and practitioners, little is known about how courage is developed (Lester et al., 2010; Goud, 2005). Indeed, recent financial scandals have spurred a growing willingness to identify what might motivate internal auditors to courageously report organizational issues before they compromise organizations. In recognizing that internal auditor silence can have deleterious consequences at work, developing an understanding of how internal auditors become courageous is of importance to organizational survival. To date, however, few theoretical and empirical works have uncovered developmental processes of moral courage in general organizational contexts (Goud, 2005; Hannah et al., 2010; Lester et al., 2010; Sekerka Bagozzi, 2007).

With regards to internal audit context, only one study has addressed the moral courage of internal auditors (Khelil et al., 2016). Following a mixed approach, Khelil et al. (2016) attempt to examine effects of the working relationship between audit committees and internal auditing functions on the moral courage of chief audit executives. They find that providing private access for chief audit executives can significantly promote moral courage among these individuals. Their study was limited to audit committees as the factor promoting the moral courage of

internal auditors, and it did not consider other internal and external factors. Indeed, there is a great consensus in the existing literature that moral courage is open to development due to internal and external resources. According to Hannah et al. (2010), moral courage is “*an adaptive process whereby one summons the internal and external resources to confront a threat, overcome fear, and act to reduce that threat*” (p.126).

Based on what has described above, we can conclude that apart from Khelil et al. (2016), there is a general lack of research on ways of developing moral courage among internal auditors. In what follows, we conduct an exploratory study to identify the different factors that enhance internal auditors’ moral courage.

3.1 Methodology

Before describing our research design, a background on internal audit in Tunisian organizations should be presented.

3.1.1 Internal audit in Tunisia

To reinforce corporate governance procedures and financial transparency, in Tunisia, the Guide to Good Practice for the Governance of Tunisian companies requires the creation of internal auditing function and an audit committee. However, unlike external audit profession in Tunisia, no legal or formal organization has addressed internal audit profession.

The Internal Audit Tunisian Association (IIA Tunisia) which is founded in 1981, has merely the status of an association. It is affiliated with the European Confederation of Institutes of Internal Auditing (ECIIA), the International Institute of Internal Auditors (IIA), and the Francophone Union of Internal Audit (UFAI).

In contrast to the Association of Chartered Accountants of Tunisia, the Internal Audit Tunisian Association does not have disciplinary and dismissal authorities. Its main objective is to reinforce the internal audit function within Tunisian public and private firms and institutions. Moreover, the Internal Audit Tunisian Association serves as a crucible for the diffusion of international standards and best practices related to the internal audit.

3.1.2 Data collection

A qualitative field study based on interviews with chief audit executives is the most suitable method to enhance our understanding about the way of developing moral courage among internal auditors in the Tunisian context. In fact, interviews imply direct and close contact with the participants, permitting the collection of detailed information on the respondents’ opinions, cognitions, perceptions, experiences, and feelings (Patton, 2002).

Due to the coordination with the Internal Audit Tunisian Association, we conducted structured interviews with 30 chief audit executives working in financial and non-financial companies belonging to public and private sectors. The respondents include 26 Men and 4 Women having between 8 and 21 years of experience. All of the respondents majored in accounting and finance.

To guide the discussion, the participants were asked the following question: “*In your opinion, what are the factors that can enhance the moral courage among internal auditors to report fraud committed by his/her manager?*”.

The interviews were conducted individually, recorded, and then transcribed. No respondent refused to be registered. On average, interviews with chief audit executives lasted one hour and twenty minutes. We listened to every recording within 12 hours following the interview to assign our first impression and some off-record details provided by the interviewee to a research log. After transcribing the recordings, we anonymized the transcripts to protect the identities of the participating interviewees. Then, we listened to the interviews' recording for a second time while reading the completed transcripts to validate their accuracy.

3.2 Analysis of transcripts and identification of factors promoting internal auditors' moral courage

In this section, we show the result of coding and analysis of data that have been collected through the interviews conducted with 30 CAEs (the term "CAE" refers to every interviewee).

A thematic content analysis was manually used to identify the main themes. The coding structure was carried based on theoretical constructs. The interviews were coded with the same rigor regardless of their order of treatment.

Following Miles and Huberman (2003), a double coding was executed by a Professor in management sciences in order to ensure the validity and reliability and the encoding data. The reliability rate was 95%.

Interviewees acknowledge the difficulty of reporting fraud manifested by their managers. They admit that internal auditors are subject to all forms of pressure that may increase their fears and impede them from speaking up and telling the truth. However, they contend that there are ways to enhance courage among them.

Efficacious means

According to the respondents, the existence of efficacious means (implements, bureaucratic means and other persons) promotes the chief audit executive's moral courage. They believe that enhancing means efficacy heightens self-efficacy and thus performance expectations, which motivate greater effort, leading to the fulfilment of those high expectations by achieving good performance, whereas disbelief in means efficacy reduces motivation and leads to poor performance.

-Implements

The interviewees stated that it is highly recommended that internal auditors use audit software in their profession. Indeed, audit software allows auditors to undertake data extraction, manipulation, querying, summarization and analytical tasks. They explain that in the Tunisian context, the use of fraud detection software, internal control evaluation software, electronic commerce control software, and continuous monitoring software are relatively low or nonexistent. They add that an information system must be implemented because the internal auditor must have access to the whole structures through an information system.

The respondents insist that the internal auditor must report every weakness in his/her materials either to managers or to the board of directors.

-Bureaucratic means

The terms proof and evidence emerged at least four times in each interviewee's response. Respondents agree that because the managers have all of the power, "*the accounting is in their hands, they can delete, edit and manipulate*" (CAE5); the existence of proof places the chief audit executive in a strong position and encourages him/her to report fraud: "*The existence of proof makes him/her surer, resilient and not inclined to draw back*" (CAE 7).

The interviewees claim that it can be a problem when malpractice and misappropriation are discovered if there is no proof. If the chief audit executive is going to inform the manager, the latter will hide his/her actions, and if the chief audit executive is going to denounce the manager externally, he/she must have the concrete proof. In this case, the audit committee is the solution: "*The chief audit executive must inform the audit committee that there is a fraud, but he/she has no proof*" (CAE 8).

Respondents agree that the charter is the official written reference of the agreement with the manager and the board with respect to the role and responsibilities of the internal audit function in the firm. Therefore, the charter can encourage internal auditors to report fraud because it defines the missions, authority and responsibilities of internal auditing: "*Internal auditors work within the organization based on a charter that not only establishes their responsibilities and rights but also grants their authority*"(CAE 3).

The interviewees explain that the internal audit charter must be consistent not only with the internal auditing definition and standards but also with the ethical code. In this case, they believe that the internal auditor becomes more cool and comfortable when performing his/her work: "*The charter promotes the moral courage of the internal auditor because it is a cover, it can protect him/her; he/she finds his/her fields of action in the charter*" (CAE 19).

Other persons

The respondents claim that a close working relationship between independent and expert audit committee members and the internal audit function is required to ensure good corporate governance: "*such a working relationship protects companies and ensures good governance and transparency*"(CAE 5). The interviewees explain that because independent audit committee members do not have self-interest, a close working relationship with them makes internal auditors more comfortable and less afraid when reporting managerial fraud. This feeling was evident in the answers given by CAE 3, CAE 17 and CAE 29, who associated their courage to report fraud with the independence of audit committee members: "*By working with independent audit committee members, the internal auditor becomes more comfortable and more courageous about discussing and reporting sensitive information*" (CAE 17).

Interviewees add that they feel more controlled and supervised when working with expert audit committee members. In that situation, the internal auditors feel more responsible and attempt to prove their effectiveness: "*Working with expert audit committee members urges the internal auditors to prove their effectiveness*"(CAE 17) and then enables them to perform their duties regarding fraud report with objectivity and without fear.

According to the respondents, internal auditors, unlike external auditors, are seen as pitiable because they are not protected and do not have sufficient means to disclose and make their voice heard: "*the external auditor has more means than the internal auditor*" (CAE21).

The respondents claim that the external auditor is often seen "*as a window for the disclosure [...] an indirect and intelligent disclosure*" (CAE1).

The responses given by interviewees reveal that the working relationship between these two parties has a significant psychological motivation on the internal auditor; it may strengthen the internal auditor and then stimulate his/her courage because it has a significant psychological motivation on the internal auditor. For this reason, they hold that the audit committee is demanded to review the internal auditors' coordination with the external counterparts.

They insist that cooperation between internal auditor and external auditor should not be secret because working secretly can raise problems for the internal auditor; the work of internal audit is then assigned to the external auditor instead of the internal auditor. Thus, the function of internal audit can be blamed: “[...] *He/she will be blamed, ‘where were you?’ ‘Why did not you perform your work?’ this is the problem, they will say, ‘Why didn’t you work?’!*” (CAE 15)

In conclusion, there was a consensus among the answers given by respondents that poor internal control is related to means weakness and insufficient resources for accounting and auditing controls. For this reason, an internal auditor should have all means that he/ she needs and the audit committee should review the relationship between the manager and internal auditing to ensure that internal auditors have the necessary means to perform their work with confidence and without fear.

Collective efficacy

The respondents claim that collectively, internal auditors must have the professional skills necessary to perform their work in accordance with professional and ethical internal auditing standards. They advocate that group effectiveness and efficacy are largely a function of interaction processes: “*competencies are collective; no one can master everything alone*” (CAE 14).

Interviewees emphasize that collective efficacy promotes a group's motivational commitment to its missions, performance and resilience to adversity. Given that plurality creates strength, they clarify that the higher collective efficacy is perceived, the stronger their endurance in the face of impediments and threats. In other words, “*the enormity of certain challenges is decreased by recovering a commitment to working collectively and cooperatively*” (CAE 28). According to respondents, nowadays Tunisian organizations require a more collaboration between the members of internal auditing team and working collectively in order to fight corruption and enhance organizations' performance.

Recognizing that an efficacious group also promotes internal auditor self-efficacy, the respondents claim that an internal auditor becomes more confident about achieving his/her objective and then feels more courageous and more resistant in the face of barriers and threats.

In conclusion, interviewees believe that a strong internal control system results from an effective and competent internal audit group; conversely, a weak internal control environment results from a weak internal audit group. They add that a group's achievements are the product of its members' shared competencies and knowledge: “*organizational performance and success are based on the ability of groups to collaborate effectively and work efficiently toward solving problems*” (CAE 21).

Resilience

There was a consensus among the interviewees that internal auditors must make an effort to resist pressure, threat, risk and danger. Indeed, internal auditors must resist by holding their

ground on moral matters even if there are opposing social pressures, and must act morally even if it puts them in an uncomfortable position with their superiors: *"An internal auditor must face challenges and resist!!"*(CAE 1). They add that internal auditors are more likely to succeed in undertaking any difficulty if they are persistent enough not to be easily discouraged.

Respondents claim that the strength of auditors' moral conviction about issues makes them more resistant to the usual pressures to obey legitimate authorities or to conform to group norms about those issues and permits them to make their best efforts. Thus, it promotes their moral courage.

There was a broad agreement among the interviewees that, the internal audit function, in Tunisian organization, is very tiring and damaging for an internal auditor who wants to work in an ethical way respecting the standards and rules: *"[...] it is very damaging!! It is very hard and hard!"* (CAE 7) And for this reason, the internal auditor needs the effort to resist pressure, threat, risk and danger.

Social identity and group norms

The respondents agree that in extending one's value system, personal values can be complemented by professional and organizational values. In fact, no matter what, internal auditors must consider how both personal and organization's values and apply to the situation before making decisions. They add that interaction with people is a source of training and development of qualities or flaws: *"[...] with time, qualities and flaws will be transmitted from one to another"* (CAE 13). Consequently, working with a courageous team of internal auditors necessarily makes the chief audit executive more courageous. Conversely, being surrounded by an uncourageous group makes group members less courageous *"[...] Fear also becomes contingent"* (CAE 13).

Interviewees emphasize that although it is hard to find a courageous group of internal auditors, it is important and needful to work with such group especially in this revolutionary context that aims to fight corruption. They explain that working with a group that supports ethical behavior positively influences the internal auditor's conformity to group norms. Consequently, the more the chief audit executive belongs to and works with a courageous team, the more he/she will be courageous and then the more he/she will be efficacious.

Role modelling

Respondents agree that observation and learning about heroic acts have an influence on the mind of the observer. Indeed, observing others' good actions can elicit the best in oneself, motivating observers to imitate the same act. Participants explain that it is in the human nature that when people see a courageous person they admire him/her and thus he/she becomes an example or a model that they try to imitate. In other words, courageous actions can be contagious through observing moral scenes and creating courageous exemplary:

"The observation of moral scenes permits us to create heroic models whose actions we attempt to imitate" (CAE 16). Admitting that there are admirable examples of whistle-blowers who are lauded by the public and hailed by the media as heroes, most of the respondents mentioned the story of Cynthia Cooper when discussing the role of stories in reinforcing the moral courage of the internal auditor. They consider her as a courageous and heroic example that succeeded in resisting and behaving ethically. Interviewees explain that such stories can enhance the hope of the internal auditor and enable him/her to expect successful outcomes by showing desirable consequences, thus boosting moral courage among internal auditors.

The respondents add that courageous behaviors (both observed and in stories) spur the internal auditor's moral courage by stimulating not only his/her ethical intention but also his/her self-efficacy. Indeed, observing another internal auditor who faced a similar issue and risk and who he/she succeeded to behave ethically makes the internal auditor observer more confident in his/her capacities to successfully overcome the risk and threat and thus, he/she will be more courageous: "[...] *I am, like him/her, an internal auditor; we share the same responsibilities and tasks, he/she succeeded in overcoming his/her fear and behaved courageously despite risks! So I am capable to do the same!*" (CAE 19).

Interviewees claim that there are people who are courageous from the beginning, but also people who are not courageous can learn and be trained to be courageous: "*We should know that courage can be developed by teaching and training*" (CAE 5). Some respondents suggest offering training modules of the auditor's behavior. Some others say that they participated in international trainings which consist in *watching scenarios* and *role playing game* and this was very important and interesting. They claim that training programs can systematically determine and address some of the individual disablers of internal auditors' courageous actions so that such action becomes more "*routine*" (CAE 23).

Furthermore, interviewees stress that courageous stories such as the story of Cynthia Cooper in WorldCom must be integrated and studied in courses on accountant and auditors' ethics: "*Moral courage must be taught at the academic level by exposing scenarios and stories of courageous to empower them to do the right thing and to ensure future courageous auditors and accountants, thus ensuring an ethical and objective audit function*" (CAE 13).

Positive traits

Respondents admit that it is insufficient for an internal auditor to be competent; instead, he/she should have particular traits that heighten the likelihood that they will behave courageously.

They assert that the internal auditor is generally not liked by his/her colleagues. The manager requires an internal auditor who is malleable as clay and who changes his/her color. But, it is necessary that he/she has a strong personality: "*He/she should not have a weak personality and must not be naive*" (CAE13).

In this part, we will note the positive traits that have emerged from the responses given by interviewees and that promote the development of moral courage among internal auditors. Respondents emphasize that a courageous internal auditor must display conscientiousness, awareness and impartiality.

Interviewees highlight that an internal auditor should have the qualities of a manager: "*Like a manager, the internal auditor must be organized, wise, mature, intelligent, attentive, demanding, and imposing*" (CAE 26). Additionally, internal auditors should be open ("*by accepting new ideas*" (CAE 2) to "*intelligently resolve problems*" (CAE 21)) and diplomatic ("*They should not come with the cap of a police officer*" (CAE 1)).

Interviewees add that an internal auditor should not be silent or complacent: "*a complacent auditor is dangerous is more dangerous! A complacent internal auditor is very dangerous! He/she must be a truth teller*" (CAE 2).

According to all respondents, an internal auditor should also be a good communicator, both in oral and written communication. Explaining that the communication means also “*the acceptance of the other and oneself*” (CAE 2), they insist that the internal auditor should be a good communicator because it is the department of internal audit that will conduct the dialogue between the different other departments.

4. Discussion

According to respondents, the existence of efficacious means (implements, bureaucratic means and other persons) promotes the moral courage of the chief audit executive. They argue that we must consider the internal auditors’ confidence in the resources that they have available to help them attain the goal sought through their courageous behaviors. Respondents consider audit Software and information system as efficacious implements that internal auditors need to detect fraud.

Additionally, they believe that the existence of proofs and the charter make internal auditors more resilient and not draw back. Responses were given by CAEs show also that working with other persons such as external auditor as well as with independent and expert audit committee members can promote the moral courage among the CAE to report management fraud. Responses given by participants are consistent with Khelil et al.(2016) who contend that a close working relationship between the internal auditors and the audit committee promotes the internal auditors’ moral courage and enables them to feel more responsible and then to behave with impartiality.

Furthermore, these results confirm the pertinence of the focus of national (Law No. 2011-06) and international legislation (BRC, 1999; Guidance on Financial Reporting Council (FRC), 2014) on encouraging the interaction between the internal auditor and the audit committee.

Our findings also are consistent with O’Leary and Stewart (2007) who find that the external auditor has a significant impact on both the likelihood judgment and the ethical assessment of internal auditor.

The participants believe that working with a competent and efficacious internal audit team promotes the chief audit executive’s moral courage. Respondent’s assertions are consistent with Bandura (2000) and Hannah et al. (2010) who argue that collective efficacy has social contagion properties and then working with a competent and efficacious internal audit team promotes the internal auditor’s moral courage.

Answers given by participants support that resilience is critical for the activation of courage. These findings are consistent with Everett and Tremblay (2014) who conclude that to be courageous; an internal auditor firstly should be resilient and have adaptation capacities in the face of serious risk and threats.

In addition, interviewees believe that membership in a group or organization may promote certain values and standards that increase the desire to act in a morally courageous way. The assertions of respondents support the suggestions of Hannah et al. (2010) who define group norms as a psychological pressure that strongly influences the behavioral choices of the actor. A common view amongst interviewees was that courageous actions can be contagious through observing moral scenes and can be imitated by creating courageous exemplars. Such exemplars that can be used in accounting ethical courses. Respondents’ statements are consistent with prior studies that suggest that cultivation of virtue such moral courage occurs through inspiration and emulation (Goud, 2005; Hannah et al., 2010; Koerner, 2014).

Arguing that one's positive traits can promote the development of moral courage, responses given by interviewees support the findings of Hannah et al. (2010) and Everett and Tremblay (2014). Indeed respondents emphasize that a courageous internal auditor must display integrity, conscientiousness, awareness and impartiality. Additionally, He/she must be honest, helpful, organized, wise, mature, intelligent, attentive, demanding, imposing, be open and diplomat.

5. Conclusion, Contributions and Future Research Perspectives

The present study is designed to enhance our understanding of internal auditors' need of moral courage to remain truthful, and it tries to identify the different factors that promote moral courage among these individuals.

From professional and ethical international internal auditing standards and the internal auditing literature, we present internal auditors' responsibilities to tell the truth (whistle-blowing). Although IIA standards are clear, we attempt to explain why internal auditors do not perform their responsibilities and instead remain silent on acts of fraud committed by their managers. The ethical conflicts that internal auditors face and their fears of undesirable consequences are the main factors that cause internal auditors to remain silent in order to protect themselves from potential risks (e.g., job loss). By defining truth telling as an ethical behavior, we consider different definitions of moral courage presented in the academic literature in philosophy, psychology and business ethics. Building on Thorne's (1998) integrated model of ethical decision making, we also stress the critical role that moral courage plays in helping individuals overcome fears and in encouraging ethical behaviors.

Additionally, the content analysis of the interviews conducted with 30 chief audit executives reveals that efficacious means, collective efficacy, resilience, social identity and group norms, role modeling and positive traits are the main factors that can enhance internal auditors' moral courage.

Given that most research on courage in the workplace has thus far targeted managers and leaders (see for example, Harbour and Kisfalvi (2014); Sekerka et al. (2009), Hannah et al. (2011b)), our study contributes to the moral courage literature, as it focuses on internal auditors who must endure threats and overcome fears to benefit companies, investors, employees, and the community at large.

We believe that identifying the factors that enhance internal auditors' moral courage has important practical implications. Firstly, it can be depicted as part of the solution to the perceived breakdowns in internal auditors' ethical behaviors and the systems of financial reporting. As a result, an ethical and courageous internal audit function can improve corporate governance by reducing administrative corruption and enhancing firm performance (Asiedu and Deffor, 2017; Gramling et al., 2004).

Moreover, we contend that our findings can make business schools, in Tunisian and international context, more aware of teaching moral courage during ethical courses by exposing scenarios and stories of courageous to ensure future courageous auditors and accountants, and then ensuring an ethical and objective audit function. Additionally, our study makes professional organizations and institutions (e.g. the Institute of Internal Auditors [IIA])

more aware that in the ethical code, it is not enough to concentrate only on the ethics of auditing; it is also crucial to consider moral courage an ethical character of the internal auditor.

The main limitation of this study is that the findings are applied only to the examined context. In fact, moral courage implies normative elements and cultural divergences. Consequently, future research should consider the different settings in which internal auditors function.

Furthermore, and given the critical role that the moral courage of internal auditors plays in preserving their integrity, research on this theme should continue to contribute to the body of scientific knowledge on ethical decision making among internal auditors and to uncover positive and negative aspects and costs of courageous internal auditor behaviors.

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Figures

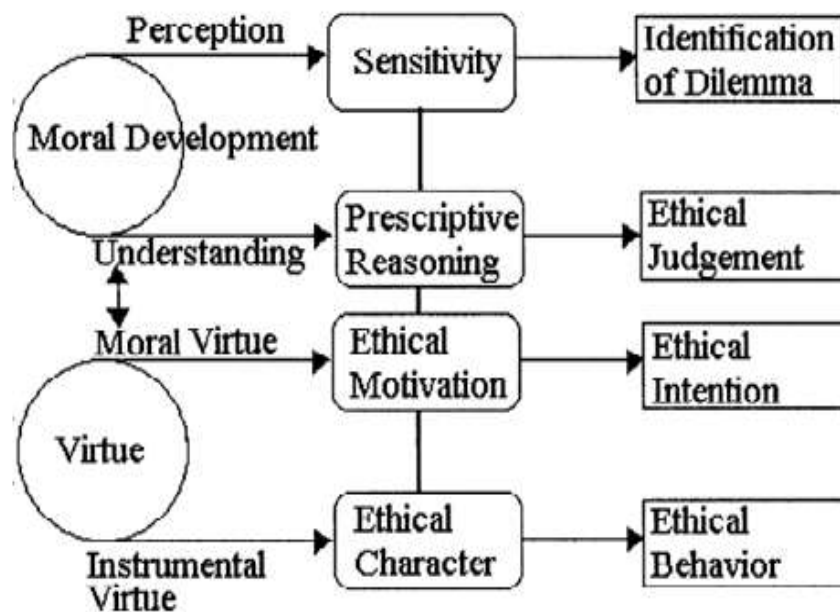


Figure 1: Thorne's (1998) integrated model of ethical decision making (Source: Armstrong et al. (2003, p.3)).