Internal Audit Must Help Rebuild SA as Country Presses Reset Button

24 May 2018

On Saturday South Africa will enter the next phase as a nation with its sixth presidential inauguration, and give President Cyril Ramaphosa a new ticket. South Africans are all hoping that we will change course and usher in a new economic trajectory that will pull the country out of its current quagmire and bring about social and economic prosperity for all.

The road to the Loftus Versfeld stadium has been riddled with controversy, maladministration and questionable governance. A new study by the Institute of Internal Auditors South Africa (IIA SA) conducted among a sample of its 8000 members has found that at least 40% of those working in local municipalities fear for their lives when blowing the whistle on wrongdoing. This is compared to 37.5% of those in national government and 25% in state owned enterprises.

The worrying figures emerge during International Internal Audit Month which is celebrated by the Institutes of Internal Auditors globally. These institutes represent the profession with over 185 000 members worldwide and are all affiliated to a global body, the IIA Inc.

The survey was conducted locally among internal auditors from both the public and private sectors, including Chief Audit Executives. The survey was conducted in a period during which judicial and presidential commissions of inquiry and numerous media exposés have unearthed extensive corruption and flaunting of corporate governance regulations in both the private and public sectors.

IIA SA CEO, Dr Claudelle von Eck, says that the Institute has in recent times received a number of reports from internal auditors claiming they were victimised, intimidated and coerced into sweeping findings under the carpet.

“Many said that they live in fear of losing their jobs while others said their lives were threatened. The number of IIA SA members complaining of their plight has significantly increased and, as a result, the Institute commissioned the research to ascertain how widespread the challenges are.”

The survey results show that the internal audit concerns straddle both the public and private sectors. Where there often is a perception that the challenges faced by
internal auditors are only in the public sector, the survey report tells a different story regarding the private sector.

Von Eck said: “With this survey we were able to drill a little deeper into internal audit specific concerns. What is clearly coming through is that there is a culture of fear in many organisations and that, especially where findings are raised that implicate leaders in the organisation, internal audit is not protected. Audit Committees and oversight bodies need to do a lot of introspection around their effectiveness in supporting and protecting internal audit.”

She adds: “Internal audit should be embraced as a critical partner to business rather than as a watchdog whose objective it is to catch management on the wrong foot. Internal audit reports must be seen as an opportunity to self-correct, improve and safeguard value. The broader auditing profession has been under a negative spotlight, but it is important that we recognise the meaningful role it can play in rebuilding SA.

“It is clear from the overall results that the biggest concern lies in the area of executive management not giving internal audit appropriate support and that internal audit is often not protected when findings are raised that implicate executive management. Almost a third of the respondents indicate discomfort in this area. This should be read in conjunction with the response of a significant 18% who indicated that they fear for their lives and that of their families if they were to report questionable activities.”

Von Eck says that internal audit plays a significant role in governance and thus directly or indirectly affect all of our lives. “Thus, we encourage our members to stand up and execute their mandate in the interest of the greater good. Ethical courage is key”

She says that it is going to take the collective effort of all charged with governance to ensure the reboot of the economy. Internal audit plays a key role in the value creation process.

And, she believes, the profession, like the country, must visibly, and continually so, reaffirm its values, ethos and integrity in contributing to the socio-economic fabric of the country.

“To this end we want to wish President Cyril Ramaphosa, his Cabinet as well as the legislative arms of government well over the next five years and encourage them to take a strong stance as champions of good governance and walk that talk.”

The Chair of the IIA SA Board, James Gourrah said that the Board has with great concern taken note of the findings in the survey report and that the IIA SA remains fully committed to playing its role in building our country. “We will continue to work closely with government as well as key stakeholders and other professional bodies to ensure that we positively contribute to the socio-economic prosperity we yearn for all of our people.”

-ENDS-
About IIA SA

The Institute of Internal Auditors South Africa (IIA SA) is part of an international network representing the interests of Internal Auditors worldwide. As a part of this international network, the IIA SA upholds and supports the fundamental tenets of the profession - the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The IIA SA supports the profession by providing a wide range of services dedicated to the education and advancement of internal auditors and dynamically promoting and developing the profession in South Africa. The IIA SA’s objectives are to build the profession, its credibility and a thriving business environment in South Africa.

Follow us:

www.iiasa.org.za

For further information contact:

Moshe Kola
Department Head: Communications and Business Development (IIA SA)
Tel: +27 11 450-1040 (ext. 274)
Email: moshe@iiasa.org.za

Or

Cheryl Naidu
PR Liaison (At Vogue Communications)
Tel: +27 73 524 6034
Email: cheryl@voguecom.co.za