PLIGHT OF INTERNAL AUDITORS
Internal auditors, by virtue of their mandate, may inevitably unearth wrongdoing in their organisations. This would ordinarily be all in a day's job. However, they sometimes inadvertently cross paths with the wrong people by exposing them or touching their sacred cows.

Over the last number of years, the Institute has received a number of verbal reports from internal auditors claiming that they are being victimised, intimidated, coerced into sweeping findings under the carpet and many said that they live in fear of losing their jobs with some even fearing losing their lives.

Out of these reports the Anti-intimidation and Ethical Practices Forum (AEPF) was born in collaboration with a number of other professional bodies and interested parties. It is clear from the AEPF ethics survey, which has been conducted annually for the last two years, that there are scores of South African professionals who are fighting significant battles as a result of the increase in fraud and corruption in the country.

More recently the number of IIA SA members complaining about the plight of internal auditors has increased and the cries for help intensified. As a result, the Institute commissioned this research project to ascertain how widespread the challenges are. With this survey we were able to drill a little deeper into internal audit specific areas that would not be covered by the AEPF ethics survey.

While the majority of complaints have come from internal auditors in the public sector, the fact that the veil had largely been lifted on private sector corruption pointed to the necessity to include the private sector in the study. I am glad that we ended up throwing the net wider to include internal auditors outside of the public sector, as the results of the survey clearly indicate that there are internal auditors in the private sector who are dealing with similar issues.

What we have not been able to ascertain through this study is the percentage of respondents who have been able to resist intimidation and coercion.

What is clearly coming through in this survey report 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 often not protected. Audit Committees and oversight bodies need to do a lot of introspection around their effectiveness in supporting and protecting internal audit.

I have always maintained that, while South Africans are up in arms about the level of corruption in the country, we are overestimating how bad we are in relation to other countries. It is my view that in many spaces much of what
is aired in the open here, tends to be hidden under the carpet in many other countries. One just needs to watch a few Netflix documentaries to get a sense of how bad it is in so-called developed countries. My opinion is further based on the many conversations I have had with counterparts in so-called “low corruption” countries. What does worry me however is the prevalence of intimidation and fear in our country, and in particular the willingness of some to go as far as torture and murder to conceal their evil deeds. This is what should scare us the most, especially as the reports around such actions seem to be on the increase, although the increasing nature of this could be the result of the screws being tightened on unethical corporate behaviour. As a country we do need to have conversations around why violence is so easily resorted to in our space.

Unlike external audit, internal audit is not a regulated profession and does not have the luxury of an Independent Regulatory Board for Auditors (IRBA) where internal auditors can go to with reportable irregularities. Their reports stop at the Audit Committee. The result is that there is often a perception that internal audit did not raise findings around fraud and corruption. I am hearing from increasing numbers of our members, who are in organisations where scandals have been highlighted in the media, that they had indeed included the findings in their report to the Audit Committee. If what they are telling me is true, then we have to ask what action was taken by the leadership to take corrective action in the organisation. More importantly, where the law was broken, why were the implicated individuals not reported to the authorities?

With a lack of understanding of the mandate of internal audit and how far their powers go, there is often a misperception that internal auditors could singlehandedly have stopped the scourge of corruption. Internal auditors are essentially in the same boat as the Auditor-General pre the Public Audit Amendment Bill, except for the fact that the Auditor-General has always had direct access to Scopa and greater external visibility of his reports. This misperception has now also in many cases translated in internal auditors who have been in organisations where there have been scandals, finding it near impossible to find another job. We have been informed by prominent recruiters that internal auditors, who have come from such organisations, would often not even be afforded the opportunity to present their case in an interview. This is true for internal auditors in both the public and private sectors. This is a double whammy for many who see themselves as corruption fighters. After having had to endure intimidation without being protected, and watching no action being taken in relation to the internal audit findings and recommendations, to then find that the market has closed the doors to other jobs would be a bitter pill to swallow for anyone.

This begs the question: where does our collective responsibility toward those of whom we ask to display ethical courage and put their lives at risk in the interest of the public (read: our interest), begin and end?

In this study we have adopted a two phased approach, with the first phase being quantitative in the form a survey sent to members of the Institute via e-mail as well as on social media platforms (internal auditors who are not members were also encouraged to participate in the survey). The results of the survey are contained in this report. The second phase will be a qualitative study through which the Institute will gather case studies to gain a better understanding of the experiences of internal auditors in the current climate in the country.

In the quantitative phase of the study a total of 349 internal auditors from both the public and private sectors responded and completed the survey. An additional total of 94 individuals had started to complete the survey, but did not answer all the questions and have therefore not been included.
THE DEMOGRAPHIC PROFILE OF THE RESPONDENTS

GENDER
- Females: 52%
- Males: 48%

Figure 1 Gender breakdown. ( Rounded off)

RACE
- African: 23%
- Asian: 4%
- Coloured: 8%
- Indian: 0%
- White: 65%

Figure 2 Race breakdown. ( Rounded off)

PUBLIC VS PRIVATE SECTOR
- Public Sector: 42%
- Private Sector: 58%

Figure 3 Sector breakdown

PUBLIC SECTOR
- Municipality District: 29%
- Municipality Local: 22%
- Municipality Metro: 17%
- National Government: 4%
- State Owned Company: 7%
- Provincial Government: 0%

Figure 4 Public sector breakdown

PRIVATE SECTOR
- Privately held large company: 2%
- Professional Services Firm: 12%
- Non-Profit: 10%
- Public held company: 26%
- SMME: 10%
- Other: 40%

Figure 5 Private sector breakdown
The questions asked in the survey were premised on the complaints received from its members by the IIA SA and the anecdotal evidence that these areas may be the burning points. The following questions were included in the survey (The responses in most instances required a simple yes, no or not sure response):

<table>
<thead>
<tr>
<th>Question</th>
<th>Category with the most significant negative response to the question</th>
<th>Category with the most positive response to the question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit operates independently without leadership or political interference.</td>
<td>Metros (71%)</td>
<td>Non-profit (100%)</td>
</tr>
<tr>
<td>I have been intimidated or coerced into sweeping findings under the carpet in the last 3 years</td>
<td>Metros (43%)</td>
<td>Non-profit (100%)</td>
</tr>
<tr>
<td>I have been suspended, put on paid/special leave whilst investigating corruption.</td>
<td>State owned companies (9%)</td>
<td>N/A</td>
</tr>
<tr>
<td>I fear for my life and that of my family if I were to report questionable activities.</td>
<td>Local Municipalities (33%)</td>
<td>Non profit (100%)</td>
</tr>
<tr>
<td>Does your Audit Committee fully understand the mandate of internal audit?</td>
<td>Metros (29%)</td>
<td>Non profit (100%)</td>
</tr>
<tr>
<td>Does your Audit Committee provide appropriate support to internal audit?</td>
<td>Metros (43%)</td>
<td>Non profit (100%)</td>
</tr>
<tr>
<td>Does your Executive leadership provide appropriate support to internal audit?</td>
<td>District municipalities (57%)</td>
<td>SMMEs and Non profit (100%)</td>
</tr>
<tr>
<td>When you raise findings impacting the leadership in your organisation, are you protected from intimidation and victimisation?</td>
<td>Local municipalities (47%)</td>
<td>Non profit (100%)</td>
</tr>
<tr>
<td>Is internal audit appropriately skilled to execute its mandate in your organisation?</td>
<td>SMMEs (33%)</td>
<td>Non-profit and Metros (100%)</td>
</tr>
<tr>
<td>Is internal audit appropriately skilled and have the correct mix of skills to execute its mandate in your organisation?</td>
<td>SMMEs (50%)</td>
<td>Non profit (100%)</td>
</tr>
</tbody>
</table>
The one question where a comparison can be made with the IIA SA’s annual Corporate Governance Index (CGI) is on whether internal audit operates independently without leadership or political interference. In the CGI the question is phrased as: “Within your organisation, internal audit has a sufficient degree of independence to enable it to execute its duties without undue influence or interference”. In the 2018 CGI 73% of Chief Audit Executives strongly agreed with the statement. An additional 17% somewhat agreed. It should be noted that in this survey, unlike in the CGI, the 70% yes responses represents internal auditors across the seniority spectrum and not only CAEs. It does seem as if there is a strong correlation between the responses to these questions in the two reports.

It is clear from the overall results that the biggest concern lies in the area of executive management in terms of internal audit being given appropriate support and being 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.
By definition internal audit is a discipline which should be practiced with independence as a non-negotiable factor at its core. The IIA Inc. states that “internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. Internal audit must remain independent if it were to fulfil its mandate effectively. It is therefore important that internal audit is able to provide assurance to the oversight bodies without their findings and recommendations having been filtered to suit what executive management finds palatable.

![Figure 2: Independence of internal audit. Only yes and no responses are shown in the graph. The difference would be the “Not sure” responses not indicated here](image)

It is clear that respondents in the metros feel the most pressure with 71% indicating that internal audit is not operating independently in their space. It should be borne in mind however that there are only 8 metros in the country and that the sample would naturally be smaller in headcount in relation to the number of responses from other types of organisations. As the responses were anonymous, it is not clear how many responses came from the 8 metros respectively.

Although the results in the public sector, are very concerning, the responses from those in the private sector are startling and confirm recent revelations that all is not well in the private sector. For many years there has been a perception that the leadership in the private sector are much more mature on matters of governance. These results suggest that it may not be true in many organisations in the private sector. When the results of the respondents in the district municipalities are compared with
those in the private held large companies, for example, we see the opposite to what is commonly believed.

Despite the perceptions around the state owned companies, the perception of respondents in that sector is not vastly different from those in public held companies.

**The IIA SA Recommendation:**

Audit Committees should periodically assess the independence of internal audit as well as directly ask the Chief Audit Executive whether internal audit still remains able to execute its mandate without any interference. Where internal audit’s independence has been impaired, the onus is on the Audit Committee to ensure that corrective measures have been taken.
INTERNAL AUDITORS BEING INTIMIDATED OR COERCED INTO SWEEPING FINDINGS UNDER THE CARPET

Intimidation is defined as “an unlawful act of intentionally coercing or frightening someone to do (or to not do) something against his or her will”. (www.businessdictionary.com).

Sweeping findings under the carpet could be likened to a festering wound. Eventually the infection could spread to the rest of the body and significantly weaken it or even take it to the grave.

I have been intimidated or coerced into sweeping findings under the carpet in the last 3 years.

From these results it appears that although a fairly large percentage of respondents in most of the categories report that internal audit is able to operate independently without interference, once they do raise findings, they may find themselves in hot water. Generally speaking internal auditors’ findings would not only point to wrong doing in the form of fraud and corruption, but also lack of controls, breach of governance principles and in relation to performance audits, objectives not met. This inevitably means that internal auditors will step on toes.

Human beings generally tend to resist being exposed, especially if they could potentially be prosecuted and jailed for their actions. However, intimidating an internal auditor either after findings have been raised, or while auditing in areas where wrong doing is masked, is in itself a criminal offence, as set out in the Internal Security and Intimidation Amendment Act 138 of 1991:
“Prohibition of and penalties for certain forms of intimidation

(1) Any person who-

(a) without lawful reason and with intent to compel or induce any person or persons of a particular nature, class or kind or persons in general to do or to abstain from doing any act or to assume or to abandon a particular standpoint-

(i) assaults, injures or causes damage to any person; or

(ii) in any manner threatens to kill, assault, injure or cause damage to any person or persons of a particular nature, class or kind; or

(b) acts or conducts himself in such a manner or utters or publishes such words that it has or they have the effect, or that it might reasonably be expected that the natural and probable consequences thereof would be, that a person perceiving the act, conduct, utterance or publication-

(i) fears for his own safety or the safety of his property or the security of his livelihood, or for the safety of any other person or the safety of the property of any other person or the security of the livelihood of any other person; and

(ii) ......

[Sub-para. (ii) deleted by s. 6 of Act 126 of 1992.]

shall be guilty of an offence and liable on conviction to a fine not exceeding R40 000 or to imprisonment for a period not exceeding ten years or to both such fine and such imprisonment. [Sub-s. (1) substituted by s. 32 of Act 138 of 1991”

Clearly respondents in local government, and in particular metro and district municipalities, are feeling the pain of intimidation and coercion the most, but the unexpected high adverse response from internal auditors in the SMMEs is of concern. Notably respondents in public held companies are feeling slightly greater pain than those in the national departments in the public sector.

The IIA SA Recommendation:

The oversight body should set the tone at the top with a very clear message that intimidation and coercion will not be tolerated. There should be clear consequences for those who intimidate internal auditors. There is no stronger message than handing those who have broken the law over to the authorities. The Internal Security and Intimidation Amendment Act 138 of 1991 clearly categorises intimidation as a criminal act.
In recent years there has been a plethora of government officials placed on suspension or special leave while their conduct is being investigated. Much of this has played out in the media. Generally speaking the weeding out of the corrupt with visible consequences is exactly what the country needs. Anecdotal evidence however points to the risk of anti-corruption fighters finding themselves among those suspended with a cloud of allegations hanging over their heads, while they are under investigation. Presumably such action is taken to either remove the nosey individual completely or significantly weaken their ability to uncover and/or expose corruption. Where such a tactic works, corruption goes undetected or unpunished while those who dare to touch the holy cows find themselves pooled with the corrupt and their careers irrevocably damaged.

All of those who reported that they had been suspended while investigating corruption are at senior internal auditor position and above. Of those more than 50% are Chief Audit Executives. There seems to be a need for closer scrutiny and questions to be asked around why internal auditors are finding themselves suspended.

Although the percentages of those reporting that they had been suspended as a result of investigations that they have been conducting may appear low, they are significant red flags of a practice that could significantly harm governance in the country.

Wrongful suspensions that lead to the weakening of internal audit and/or dismissals may not only end up masking the wrongdoing in the organisation, but also harm the reputations of the internal auditors, ultimately damaging their careers irrevocably and silencing others.

The IIA SA Recommendation:
Chief Audit Executives should not be suspended without the explicit consent of the Audit Committee to which they functionally report to. The Audit Committee should apply professional scepticism and satisfy themselves that any suspension of an internal auditor is legitimate and not as a result of having asked questions and/or raised findings.
Fear is a feeling induced by perceived danger or threat that occurs in certain types of organisms, which causes a change in metabolic and organ functions and ultimately a change in behaviour, such as fleeing, hiding, or freezing from perceived traumatic events. Fear in human beings may occur in response to a certain stimulus occurring in the present, or in anticipation or expectation of a future threat perceived as a risk to body or life.

The fear response arises from the perception of danger leading to confrontation with or escape from/avoiding the threat (also known as the fight-or-flight response), which in extreme cases of fear (horror and terror) can be a freeze response or paralysis. (Wikipedia)

The reality is that internal auditors may find themselves in a position of breaking the law when not reporting fraud and/or corruption. Section 34 of the Prevention and Combatting of Corrupt Activities Act, Act No 12 of 2004 (PRECCA), provides that any person in a position of authority who knows, or ought reasonably to have known, or suspect that another person has committed:

i. Corruption; or
ii. offences of theft, fraud extortion, forgery or uttering of a forged document, involving R100 000 or more

must report such knowledge, or suspicion, or cause same to a police official. It is an offence not to report such crimes.

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**Figure 5 Fear. Only yes and no responses are shown in the graph. The difference would be the "Not sure" responses not indicated here**
Fear is a human response to a perceived threat or danger. It is not possible to determine whether the danger is real or not without investigating the circumstances of each of the respondents. Not all threats being made are necessarily a precursor to real danger as some may just intimidate in the hope that it will work without a real intention to act on the threat. Nevertheless, the fear remains real for individuals and would influence their behaviour.

It is of course easy for those who stand on the outside to insist that internal auditors must stand their ground and do the right thing despite their fear. However, what cannot be ignored is the tangible reality that there are internal auditors who have experienced torture, have been shot at and some have lost their lives in the line of duty.

Andile Matshaya, an internal auditor in the department of transport, was strangled to death in a hotel room in 2012. Moses Tshake, head audit for the Department of Agriculture and Rural Development in the Free State died in a Bloemfontein hospital, three months after being maimed in a hijacking in 2013. Zweli Archie Duma, an internal auditor at a municipality, was shot dead at his home in 2016. Just across the border, Ignatius Nteso, the Chief Audit Executive of the Lesotho Electricity Corporation and one of the founding members of the IIA Lesotho, was gunned down in 2017. They were all busy investigating corruption when they were killed. These are the ones we are aware of.

The real danger is that it is not inconceivable that the number of individuals who enter the profession could decline due to the fact that it appears that the profession is becoming increasingly more dangerous.

Clearly a significant amount of internal auditors in local government, across all three types of municipalities, are living with a sense of fear in their professional capacities. It is unclear how many would still do the right thing despite being afraid. When an individual is aware of others in the profession who have been killed in the line of duty, would that knowledge decrease the bravery one may have felt otherwise? Is it reasonable to expect that professionals should sacrifice their personal safety in a country where there seems to be a great lack of consequences? These are pertinent, albeit inconvenient, questions.

The biggest concentration of responding Chief Audit Executives who indicated that they fear for their lives are in local municipalities (40%), national government (37.5%) and SOEs (25%). In the rest of the categories those who reported that they fear for their lives are sitting at managerial level and below, and often with less than 3 years of experience in the profession. Chief Audit Executives sit in the unenviable position where they may not just be concerned about their own safety, but also that of their teams.

**The IIA SA Recommendation:**

Oversight bodies should ensure that there are mechanisms in place through which they will be alerted should a climate of fear exist in the organisation as well as ensure that processes are in place to safeguard the wellbeing of internal auditors.

Oversight bodies should ensure that all employees are aware of their obligation in relation to the Prevention and Combatting of Corrupt Activities Act.
THE AUDIT COMMITTEE UNDERSTANDING THE MANDATE OF INTERNAL AUDIT

Internal audit reports functionally to the Audit Committee. This oversight role in relation to internal audit should be included in the Audit Committee’s charter. It is therefore important that the Audit Committee has a full understanding of internal audit’s mandate in order for it to execute its duties effectively.

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Owned Company</td>
<td>62</td>
<td>11</td>
</tr>
<tr>
<td>SMME</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>Publicly held company</td>
<td>67</td>
<td>8</td>
</tr>
<tr>
<td>Provincial Gov</td>
<td>64</td>
<td>9</td>
</tr>
<tr>
<td>Professional Services Firm</td>
<td>63</td>
<td>21</td>
</tr>
<tr>
<td>Privately held large company</td>
<td>74</td>
<td>15</td>
</tr>
<tr>
<td>Other</td>
<td>53</td>
<td>7</td>
</tr>
<tr>
<td>Non Profit</td>
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<td>14</td>
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<td>National Government</td>
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<td>Municipality: Metro</td>
<td>86</td>
<td>19</td>
</tr>
<tr>
<td>Municipality: Local</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipality: District</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 6 Audit Committee understanding the mandate of internal audit. Only yes and no responses are shown in the graph. The difference would be the “Not sure” responses not indicated here.

It is interesting that the only sector where 100% of the respondents perceive the Audit Committees to have an understanding of the mandate of internal audit is the non-profit sector. It is unclear whether this is driven by donor requirements. With the JSE requirements as well as King IV with its guiding principles, it is a result which would be expected of publically held companies, however this category sits at 87%. Once again the metros is the area where the biggest red flag is raised, with a worse response than local municipalities.

This raises a question around how Audit Committee members are appointed and what is being done to ensure that they are trained. How well the Audit Committee understands the mandate of internal audit would have an impact on its ability to ensure that internal audit is being utilised effectively and focussing on the right areas.

Audit Committees should have a good understanding of the roles and responsibilities of all the assurance providers and oversee the effective utilisation of a combined assurance model. In the IIA SA 2018 CGI 61% of Chief Audit Executives strongly agreed that their Audit Committees were effective in all dimensions within the ambit of their responsibilities, but only 30% strongly agreed that their organisations use a combined assurance framework to provide a coordinated approach to assurance activities.
The IIA SA Recommendation:

Audit Committees should go through a proper induction process as well as ongoing training that include education on the mandate of internal audit and the Audit Committee’s responsibilities in relation to internal audit.

Audit Committees should have a good understanding of the international internal auditing standards and a general understanding of the International Professional Practices Framework for internal auditors, against which they should hold internal audit accountable.
AUDIT COMMITTEE PROVIDING SUPPORT TO INTERNAL AUDIT

Internal audit is generally only as strong as the support provided by the Audit Committee in the organisation.

![Graph showing support provided by Audit Committee](image)

Figure 7 Audit Committee providing support. Only yes and no responses are shown in the graph.

The difference would be the "Not sure" responses not indicated here

It is clear that there is a disconnect in many categories between the responses to the question whether the Audit Committee understands the mandate of internal audit and the perceived level of support received by internal audit from the Audit Committee. This may point to either the strength of the Audit Committee and/or the level of commitment of committee members. This study has only focused on the perceptions of internal auditors. It is therefore not possible to ascertain whether Audit Committees are not providing support because they themselves are being intimidated. It is also possible that some Audit Committee members themselves are part of the corrupt activities and may deliberately stifle internal audit’s attempts to fully execute its mandate. The categories where there seems to be the biggest disconnect is at local government level (all three types of municipalities) and SOEs.

The areas where there may be a perceived lack of support include:

i. Not holding management accountable with regard to findings and recommendations as well as repeat findings.

ii. Not taking internal audit’s concerns around intimidation and coercion seriously enough.

iii. Audit Committee members not appropriately independent from management and overly reliant on executive management information.

iv. Being too willing to accept management’s explanations and not applying enough professional scepticism.

v. Collusion between management and Audit Committee members.
vi. Audit Committee members not appropriately skilled.

vii. In the public sector the accounting officer’s authority in the appointment of Audit Committee members may lead to individuals being appointed who are sympathetic to the Accounting Officer’s cause.

viii. Group think and intolerance of dissenting voices.

ix. Lack of will to go against the majority or speak up against a dominant voice.

x. Lack of will or ability to calculate the cost of internal audit’s recommendations being ignored.

xi. Fallacy that there is safety in numbers with individual members not applying the own minds and executing their fiduciary duty.

xii. Intimidated by seniority on the committee. In other words more junior members being too scared to contradict those who are more experienced.

xiii. They have their own skeletons that may be exposed should they speak up.

xiv. Patronage, especially where the CEO or Accounting Officer is a kingmaker (having a significant say behind the scenes on who gets appointed)

The IIA SA Recommendation:

Audit Committees should ensure that management is held accountable with regard to findings raised by internal audit and that recommendations are implemented as appropriate.

Audit Committees should periodically assess whether they are still independent, applying professional scepticism and have the relevant skills to execute their mandate.

Audit Committees should have in camera conversations with internal audit to ascertain whether internal auditors feel that they are receiving adequate support from the Committee.
While internal audit reports functionally to the Audit Committee, which has the delegated responsibility on behalf of the Board/oversight body, executive management should see internal audit as a valuable tool and their ears and eyes in the organisation. The assurance given to the Board, is also assurance top management needs in the effective execution of their mandate. Thus, internal audit should be embraced as a critical partner to the business, rather than as a watchdog whose objective it is to catch management on the wrong foot. Where the relationship is as it should be, internal audit reports are seen as an opportunity to self-correct and improve and this function is seen as a competitive advantage of the organisation.

To execute its mandate effectively, internal audit needs unhindered access to all aspects of the organisation. They therefore need, through their actions, a clear signal from top management that internal audit has their full support.

The results in this section is indeed very concerning across the board, with the exception of SMMEs and non-profit organisations. The responses at local government level are staggering with internal auditors in district municipalities raising the biggest red flag.

Some of the potential reasons why there is a perceived lack of support from executive management include:

i. A lack of understanding of the role and mandate of internal audit.
ii. Lack of interest in the value internal audit could add to the organisation.
iii. Seeing internal audit as interference, spying or an unnecessary governance cost.
iv. An attempt to mask wrongdoing.
v. Lack of trust.
vi. A perception that internal auditors do not understand the business and management’s daily struggles.

vii. Internal auditors not respected, as they are not appropriately skilled or internal audit is not pitched at the right level in the organisation.

viii. Internal auditors not providing management with the opportunity to respond to findings before reporting those to the Audit Committee. (This excludes matters where a manager is suspected of fraud and/or corruption)

ix. What type of behaviour is rewarded.

x. Not recruiting for values and ethical courage.

xi. Bias and prejudice.

xii. Designed chaos in the organisation with the objective to mask wrong doing.

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**The IIA SA Recommendation:**

Executive Management should undergo training on the mandate and value of the assurance providers as well as their responsibility in ensuring that adequate controls are in place to mitigate against risks.

Ideally ensuring that assurance providers are able to execute their duties in the organisation should form part of the performance agreement of executive management.

Ideally the Chief Audit Executive should have a seat at the executive table to provide insight and foresight to the executives, although not part of the decision making process.

Audit Committees should ensure that internal audit is pitched at the right level in the organisation as well as adequately skilled.

Audit Committee should measure the level of support given to internal audit by executive management and visibly demonstrate that lack of support for internal audit will not be tolerated.
Cases like Steinhoff show that, more often than not, it is wrongdoing at the top levels in the organisations that has the most devastating impact. In order to fully execute their mandate it is imperative that internal auditors are able to report their findings without fear or favour. This means that they should be able to audit unfettered without the fear that auditing areas that could implicate leaders in the organisation would result in them being victimised.

By virtue of their mandate, internal auditors are inadvertently whistle blowers in their organisations. It is inevitable that they would often find themselves in positions where they step on toes through the questions they ask and/or their findings.

Although South Africa has robust legislation that aims to protect whistle blowers, the reality is that the wheels of justice can take long to turn and anecdotal evidence points to whistle blowers often suffering for having done the right thing, with many reporting that their careers were destroyed as a result.

Without providing the necessary protection, the reasonable expectation is that an inevitable outcome would be a culture of silence where the perpetrators can reign free and less and less individuals being willing to enter professions such as internal audit.

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**Figure 9** Internal Audit protected from intimidation and victimisation. Only yes and no responses are shown in the graph. The difference would be the “Not sure” responses not indicated here.
The very high percentages of internal auditors who reported that they are not protected when they raise findings impacting on the leadership are of real concern across all categories bar the respondents in the non-profit organisations.

Contributing factors that may lead to a lack of protection include:

i. Weak Audit Committees which could be result of:
   a. Inexperience on the committee.
   b. Lack of willingness to “get their hands dirty” in cleaning up corruption in the organisation.
   c. Fear of losing their positions on the committee and thus the fee that they are earning.
   d. Fear of being victimised if they get involved.
   e. Fear that their reputations may be tarnished if the corruption is made public as it may be positioned as having happened under their watch.
   f. Fear of losing their positions on the committee and thus the fee that they are earning.
   g. The Audit Committee does not have in camera meetings with the Chief Audit Executive who in that context feels safe to speak openly and encouraged to display ethical courage with the committee as a safety net.

ii. A false belief that individuals in leadership positions will not stoop to intimidation and victimisation.

iii. Revering individuals in leadership positions to the degree that when they deny allegations of intimidation and victimisation their word is taken as gospel and the individual who has highlighted the wrong doing seen as someone who falsely cried wolf.

iv. Covering the leaders’ wrong doing for fear that it would irrevocably taint the image of the organisation.

v. A lack of understanding of how to effectively deal with adverse findings against leaders without exposing the ones who have made the claims. Some of it includes:
   a. Not ensuring that more than one individual sits with the information. If the perpetrators believe that removing/weakening the one individual will result in them being safe, that individual would be at greater risk of being isolated and victimised. This could become even more difficult to overcome in small internal audit teams.
   b. Audit Committee members being too close to management and revealing details about investigations, therefore jeopardising the internal auditor’s case and exposing them.

vi. Internal audit being confined to auditing the more operational risks and steered away from the real strategic risks around the leaders in the organisation.

vii. A culture with a low tolerance for mistakes, cultivating an atmosphere where people would want to hide their mistakes.

The IIA SA Recommendation:

Audit Committees must periodically assess whether internal audit is adequately protected and that internal auditors feel safe enough to raise findings that implicate leaders in the organisations.

Where internal auditors have exhausted internal processes, they should consider blowing the whistle through the Anti-intimidation and Ethical Practices Forum (www.aepf.co.za).

The leadership should guard against and periodically assesses whether the organisational culture is one with a low tolerance for mistakes.
As the complexity in organisations increases, the expectation on internal audit increases. It is the IIA SA’s considered view that the expectations on internal audit will keep on increasing at a fairly rapid rate.

Internal auditors can only truly provide the level of service that they should if they are skilled in the right areas and at the right level. It is important that internal auditors are not only strong in audit methodology (technical skill) and a deep understanding of the international Internal Auditing Standards, but also in business acumen, interpersonal and communication skills as well as ethics and ethical courage.

As internal audit is not a regulated profession, it is up to the organisations that employ internal auditors (whether insourced or outsourced) to ensure that have the requisite skills. Within the South African context organisations cannot afford to solely rely on attracting skilled individuals. With the skills shortage in the country, it is important that organisations understand the crucial role they must play in the upskilling of individuals. With regard to internal auditors, this includes the IIA SA recommended on-the-job training programs which leads to occupational qualifications and internal auditors obtaining the internal audit designations.

It is important to note that the responses in this section are self-reported and therefore a perception of self as opposed to an objective assessment by the users of internal audit. Nevertheless, the responses in some categories are of concern. A third of respondents in the SMMEs feel that internal audit is not adequately skilled in their environments. To a degree this should be expected as the smaller entities are less able to compete in attracting talent or afford adequately staffed internal audit units. It would however be expected that the internal auditors larger organisations in the privately sector would be adequately skilled. The fact that more than 10% in the listed companies and private held large companies report that internal audit is not appropriately skilled could point to the skills
shortage in the country. It could also point to organisations not fully comprehending the mandate of internal audit and therefore not employing individuals who are appropriately skilled. For example, many are still employing chartered accountants in Chief Audit Executive positions with no internal audit credentials and experience. It could also point to organisations not placing enough emphasis on training individuals.

Lack of support for internal audit could manifest in a deliberate recruiting of individuals who are not appropriately skilled and/or preventing internal auditors from being upskilled.

The IIA SA Recommendation:

Internal auditors should ideally hold an internal audit designation commensurate to the level on which they operate. Designations are a sign that a) the internal auditor is recognised by the Professional Body as competent at a specified level and b) the internal auditor is held accountable by the Professional Body against the international internal auditing standards and its Code of Ethics.
INTERNAL AUDIT HAS THE RIGHT MIX OF SKILLS

Internal audit is a risk based multi-dimensional discipline. It is often mistaken for its cousin, external audit, which is primarily a financial discipline. Unlike external audit, internal auditors focus on the risks in all aspects of the organisation and both operational and strategic, internal and external risks.

The industry within which the organisation operates would to a large extend determine the mix of skills needed in the internal audit team. It would therefore make perfect sense for an Eskom to have engineers on the team; a bank chartered, accountants; an insurance company, actuaries; a pharmaceutical company, pharmacists; a municipality, town planners etc.

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<th>Municipality: Local</th>
<th>Municipality: Metro</th>
<th>National Government</th>
<th>Non Profit</th>
<th>Privately held large company</th>
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Figure 11 Internal audit has the right mix of skills. Only yes and no responses are shown in the graph. The difference would be the “Not sure” responses not indicated here.

There is a notable difference in the responses from this section where respondents were asked about the mix of skills as opposed to only focusing on whether internal audit is appropriately skilled. Except for respondents in non-profit organisations, district municipalities and ‘other’, every category sees a greater percentage of respondents feeling that the internal audit team does not have the right mix of skills. The most notable difference is at local municipality level with a 22% difference between the perception of individual skills and the mix of skills in the team. Thus, while the perception may be that the individuals are adequately skilled, there is a clear perception that organisations are lacking in terms of the right combination of skills in the internal audit teams. This may be as a result of organisations only employing internal auditors from a one dimensional perspective.

The IIA SA Recommendation:

Audit Committees should periodically review the mix of skills needed in the internal audit department. Where necessary, skills audits should be conducted. The Quality Assurance Reviews, which internal audit departments must undergo at least once every five years, can also play a role in facilitating the discussions around the skills that are needed.