

# Fighting intimidation in the audit space

A survey reveals that an increasing number of auditors feel threatened or intimidated during the course of their work. Therefore, there is a need for effective support systems to assist members who might be induced to take part in unethical conduct if they feel that there's no help for them.



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## Beyond the conceptual framework

The codes of professional conduct for both the South African Institute for Chartered Accountants (Saica) and the Independent Regulatory Board for Auditors (IRBA) advise that professional accountants respond to situations that might pose a threat to the fundamental principles of professional conduct by applying the three-step conceptual framework. Beyond the identify, assess, address mindset required of professional accountants, lie the internal and external systems which members must access to ensure that professional conduct standards are achieved. A crucial aspect to achieving the management of threats, is the safeguarding and support which these systems must provide to members, who risk the lives and livelihoods of themselves, as well as those close to them.

## Protecting the whistle blower

Alice Muller, the acting national leader in audit at the Auditor General South Africa (AGSA), noted that the sense that perpetrators of intimidation continue to evade accountability, is something that is “equally felt in both the private and public sector”.

“For professional accountants, intimidation threatened their ability to perform their work with integrity, independence and objectivity,” said Muller.

Over the past four years, the AGSA noted a marked increase in complaints about intimidation and that the organisation has put in place a number of internal interventions, which make whistle-blowing on intimidation a more supported experience for its staff members. These interventions include a counselling service, which helps staff members to manage their wellbeing along the whistle-blower journey and includes access to a multidisciplinary security task team and protocols for escalating complaints. It is also engaged in a number of awareness activities that help audit team members to identify threats and begin to address them, by for example, encouraging a culture of transparency, in which they are urged to take their team members into their confidence.

The external support regime of the AGSA includes several state institutions, including the State Security Agency (the SSA), which provides support for the audit institution’s risk assessment mechanism and, the Standing Committee on the Auditor General (SCoAG), which provides engagement with the relevant stakeholders within the audit environment. The framework includes support from the South African Police Service, which Muller identified as a necessary stakeholder for members to engage, should they find themselves in a professional situation that is made risky by (possible) acts of criminality. This allows for referral to the Hawks (South Africa’s Directorate for Priority Crime Investigation) for significant threats made against them, or those close to them.

## **Watching the watcher**

Beyond the scope of state institutions, civil society organisations, such as Corruption Watch, have provided oversight over the accountability culture in South Africa. Head of legal and investigations, Karem Singh, provided insight into the difficulties faced by whistle blowers. He shared the story of a state-owned enterprise staff member who is facing challenges in the workplace, in response to the protected disclosures which the person has made to the Zondo Commission on State Capture. This possibility of a labour court challenge illustrates the financial cost of holding up the public interest, which has been the subject of recent discussion in the news about the need to incentivise whistle blowing. Singh proposed that incentives could be considered along with the need to ensure that the system is not compromised.

## **Culture eats strategy for breakfast**

While the current commission has provided a view into the impact of corruption on the public sector, the issue remains a matter of global concern. Khalid Homid, international director, Chartered Institute of Public Finance and Accountability (CIPFA), said that members of the profession who operate with a zero-tolerance mindset will surely face intimidation threats. A response to operating environments where corruption is engrained in the culture has been proposed by Sir Donald Brydon in the United Kingdom, who has argued that the auditor should place a stronger focus on fraud, beyond what is required by the International Audit Standard (IAS 240).

This is a particular contemporary concern for the global auditing profession, which the International Auditing and Assurance Standards Board (IAASB) has tasked to consider the “expectation gap” between what the public believes that auditors do, and what it is they actually do, to address the themes of fraud and going concern.

## **A behavioural change is needed**

The focus on culture indicates the need for proactive, values-based changes to the environments in which professional accountants may find themselves operating. While the psycho-social support and overall structure offered by the AGSA to its staff members is something which other organisations might not have in place, Singh encouraged professional accountants to make themselves aware of internal and external support available to them. This includes Saica, as the secondary line of support, following the internal procedures at their places of employment. Another external source of support is the Anti-Intimidation and Ethical Practices Forum, of which Saica, Corruption Watch South Africa and the Institute of Internal Auditors are founding members.

While these interventions come into play after acts of intimidation have been experienced, professional accountants are encouraged to be proactive in the development of their own ethical consciousness. This enables them to positively affect organisational cultures and, to identify issues before they snowball. The focus on self, as the agent of change, means that professional accountants should consider their personal attitudes as according to Zakariya Hoosain, Saica public sector national council member, wrongdoing “often stems from how we conduct ourselves elsewhere, in our private lives. It permeates into the organisations that we find ourselves in. But it’s never too late to make changes.”

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