

## **CHAPTER 6**

### **THE RESEARCH FINDINGS ON THE EFFECT OF HIV/AIDS ON THE CONTROL ENVIRONMENT AND THE ROLE OF THE INTERNAL AUDITOR REGARDING THE RISK OF HIV/AIDS**

#### **6.1 INTRODUCTION**

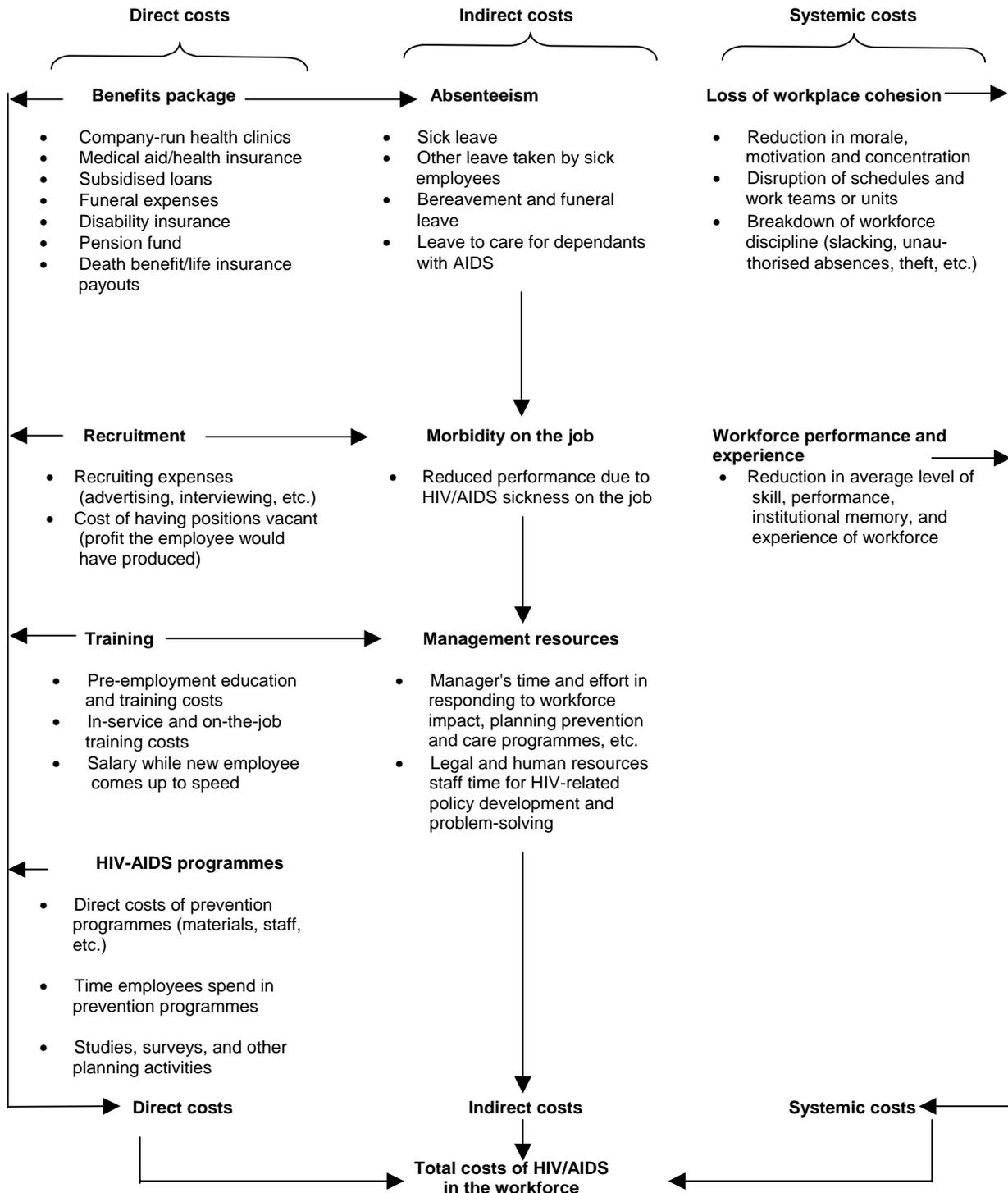
In Chapter 5, the research methodology used to determine the role and knowledge of internal auditors regarding the management of HIV/AIDS and its effects on the control environment was discussed. The information gathered by the Centre for International Health, Boston University School of Public Health was used to determine whether HIV/AIDS does have an effect on certain elements of the control environment. Only information that could have a direct effect on personnel competence, the organisational structure, and human resources policies and practices were used in the analysis. In the first part of this chapter, these results are discussed. Secondly, the role of internal auditors was investigated by means of a survey, conducting personal interviews with chief audit executives at internal auditing departments in the private sector. The second part of this chapter focuses on the results of these interviews.

#### **6.2 THE EFFECT OF HIV/AIDS ON SPECIFIC ELEMENTS OF THE CONTROL ENVIRONMENT**

Research by the Centre for International Health, Boston University School of Public Health (see 1.3 for a discussion) has shown that the cost of HIV/AIDS to an organisation can be divided into three components, namely direct cost, indirect cost and systemic cost (Centre for International Health 2002:256). Direct costs refer to impacts that involve an increase in financial input by the company. Indirect costs refer to reduced workforce productivity. Systemic costs refer to costs that result from the cumulative

impact of various HIV/AIDS cases. The Boston University research group has developed a model for analysing these costs (see Table 4 below).

Table 4: Economic impact of workforce HIV/AIDS (internal effects only)



Source: Barnett and Whiteside (2002:256)

Most direct costs can easily be measured using the human resources and financial data from a company's database. Indirect costs and systemic costs are somewhat more difficult to measure. Six companies in Southern Africa were identified for the Centre's analysis, ranging from large corporations to smaller companies, operating in different sectors and situated in South Africa and Botswana (see Table 5 below for an abstract of the analysis of the organisations used in the study). These companies gave their full support to the project and information and relevant data was made available to the Boston University project (Rosen, Simon, Vincent, Macleod, Fox and Thea 2003a).

Table 5: Summary of companies included in the Boston University study

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Year studied	1999	1999	2000	2001	2001	2001
Industry	industry	agriculture	mining	mining	retail	media
Workforce size	>25 000	5 000 - 10 000	500 - 1 000	500 - 1 000	<500	1 000 - 5 000
Est.% HIV positive	7,9%	23,7%	29%	23,6%	10,5%	10,2%
Total annual cost of AIDS	\$11,9 m	\$594 000	\$206 000	\$93 400	\$13 300	\$1m
Cost of AIDS % of salaries	3,7%	1,8%	5,9%	1,9%	0,4%	2,4%

Source: Rosen et al (2003a:10)

For the purposes of this study, the costs gathered by the Boston University team (Rosen *et al* 2003b) that relate to the three elements of the control environment most affected by HIV/AIDS are studied, namely commitment to competence, organisational structure and human resources policies and practices, to determine whether HIV/AIDS does affect the control environment and therefore the control system of an organisation.

### 6.2.1 Commitment to competence

As previously discussed in this study (see section 2.6.1.1 and 4.3.1), personnel commitment to competency entails the need for employees to have the necessary knowledge and skills to perform their duties properly, including individuals' behaviour and attitudes regarding their duties. Absenteeism, as a result of illness, special or funeral leave, and leave to take care of dependents that have AIDS, is probably the biggest reason directly linked with HIV/AIDS why employees do not perform their jobs properly. Regression analysis was used to estimate additional days of sick leave taken in the two years prior to the termination of the service of employees who died of HIV/AIDS or were retired on disability due to HIV/AIDS (see Table 6 for data). Only sick leave was included in the study because of a lack of data on reasons for special leave or funeral leave.

Table 6: Additional sick leave

	A	B	C	D	E	F
Days per worker in last year on job	49.0	68.4	30.4	36.0	11.2(*)	17.1
Days per worker in second last year on job	15.3	20.2	0	14.0	n/a (*)	10.4

(\*) Employees who apply for disability retirement are automatically placed on an additional three months of paid sick leave. Only one year of sick leave data was obtained from this company.

Source: Rosen et al (2003b)

The above information clearly shows that HIV/AIDS does have an effect on absenteeism. As the above information only reflects sick leave taken by employees that died in service or retired on disability, other leave taken by all employees due to illness at home or attendance of funerals must still be added to get the real effect of HIV/AIDS on absenteeism. Even so, the above information indicates an average of 35,35 days additional sick leave taken by employees that had AIDS. When a specific person is not there to do his/her job as a result of absenteeism, there are various other issues

that affect commitment to a competent workforce (for example, his/her knowledge and skills are not available; other employees must perform the extra tasks; and people are demotivated because of the extra workload).

Another factor that has an effect on the commitment of the workforce on competence is the loss of people (and with that their skills and knowledge) and the replacement of those skills and knowledge. Human resources data were used to estimate the average duration of vacancies as a result of death or retirement due to AIDS (see Table 7 for data).

Table 7: Vacancies due to HIV/AIDS related deaths or retirement

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Months vacancy per skilled worker	2.0	0.25	3.1	2.0	0.55	2.0
Months vacancy per manager	3.0	2.0	3.8	3.0	0.64	3.0

Source: Rosen et al (2003b)

The above table clearly indicates that skills and knowledge are lost for a period of time as a result of a loss of employees due to retirement and death. On average, it takes a company 1,65 months to replace a skilled worker and 2,57 months to find a new manager. During this time, other employees must do the extra tasks (usually an impossible task), are overworked, tired and make mistakes. Another scenario is where these tasks are not performed. Again, the competence of the workforce and the precision with which tasks are performed are sacrificed. Management should also be concerned that the external pool of skills and knowledge that can be recruited to replace existing employees could become smaller because other companies are facing the same problem. Thus companies are competing for the same people. The result will then be higher salaries, with fewer people trained to do the job.

A further problem that aggravates the loss of knowledge and skills is a reduction in productivity due to new employees' learning curve. The time of training measured includes time spent on pre-service orientation and time spent by a provider of on-the-job training. Secondly, an estimation of the

reduction in productivity between employment and full productivity is given (see Table 8).

Table 8: Reduction in productivity due to new employees' learning curve

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Months training per skilled worker	3.0	3.0	1.5	1.5	2.2	4.0
% reduction in productivity	30%	50%	50%	25%	50%	60%
Months training per manager	6.0	3.0	3.0	3.0	2.6	2.0
% reduction in productivity	30%	50%	20%	25%	50%	55%

Source: Rosen et al (2003b)

According to the above data, it takes a skilled worker on average 2,5 months to become fully productive. During the learning stage, the worker performs, on average, 44% less. For a manager it takes even longer, namely 3,26 months and being 38,3% less productive. As discussed above, during this time, co-workers must either help to perform the new recruit's tasks, or the quality and quantity of the output is sacrificed. This has a direct influence on employee performance and on production output.

A worker that is HIV/AIDS positive and is still working can also have an effect on the production output as a result of poor performance and of supervisors' needing to assist these employees with their tasks. The loss of productivity of employees that have died or have been retired due to AIDS, as well as the estimated supervisor's time spent on helping these people, is given below (see Table 9).

Table 9: Loss of productivity at work and need for supervisory assistance

	A	B	C	D	E	F
% lost in last year on job	29%	42%	36%	63%	22%	36%
% lost in second last year on job	5%	31%	12%	33%	3%	4%
Days supervisory assistance required in last year of service	no data	6.6	11.5	24.6	12.7	14.5

Source: Rosen et al (2003b)

According to the data collected, employees who have died of AIDS or retired as a result of the disease were on average 38% less productive in the 12 months before their death or retirement, and on average 14,7% in the 12-month period proceeding the last year of service. On average, supervisors spent 14 days per year in assisting these ill people in performing their tasks. These figures indicate that people with AIDS and their supervisors have some difficulty in performing their tasks with the necessary efficiency and focus. This could have a direct result on the commitment to competence, for example, supervisors have to perform more tasks, become tired, edgy and careless; they have to check their own work instead of the ill worker performing the tasks and the supervisor controlling the output; healthy employees feel that they are paid the same as HIV/AIDS infected workers but have to produce more output; and other relevant issues.

HIV/AIDS has an effect on the competence of the workforce. For certain companies, especially where physical labour input is high (see Companies A, B, C and D - Table 6), sick leave has increased dramatically, leaving other employees to perform the ill worker's tasks. Some companies face difficulty in replacing workers that have died or retired as a result of AIDS (see Companies A, C and F - Table 7). Again the workforce must perform extra tasks, influencing either the quality and/or quantity of the output. When new employees are recruited and employed, they must be trained by attending courses and training sessions (and thus being away from the

work) and on-the-job training, thus being less productive during this time. People that are HIV/AIDS positive are also less productive. All companies identified a large decrease in the productivity of ill workers, including their delivery of the physical (industry, agricultural and mining) and mental (retail and media) effort needed to do the work.

The above indicates that a competent workforce is in danger of disintegration. Management needs to know this and internal auditors, as control specialists, assisting management with the risks threatening the organisation should bring this to their attention. A competent workforce is a must to be able to get the work done, but this workforce's activities and structure must be properly planned to make sure that the organisations' objectives are met. One way of doing this is to develop a proper organisational structure.

### **6.2.2 Organisational structure**

An organisational structure is a framework used for planning, executing, controlling and monitoring the activities of an organisation to ensure that the strategies and objectives of the organisation are achieved. This can be broadly explained as the day-to-day running of an organisation, including the delegation of rights and responsibilities, the co-ordination of tasks, and decision-making processes. Factors that can influence the organisational structure as a result of HIV/AIDS are, firstly, the death of key personnel that have certain rights and obligations and are responsible for decision-making. Secondly, task disruption can occur as a result of the death of personnel, from unskilled workers to management. Thirdly, an increase in the use of technology may occur to replace the diminishing workforce.

The study performed by the Boston University team did not address these issues, as data were not available at the companies that were investigated by them (refer to 6.2). However, they did identify the level of the workforce affected by the disease, namely, from skilled workers to management. Table 10 identifies the estimated prevalence rate of HIV positive

employees of unskilled workers, skilled workers, supervisors and managers, and non-permanent workers.

Table 10: Estimated HIV prevalence

	A	B	C	D	E	F
Unskilled workers	12.4%	26,7%	39,4%	34,5%	12,9%	15,6%
Skilled workers	9,3%	22,7%	39,2%	18,55%	2,5%	7,2%
Supervisors/ Managers	4,2%	8,2%	14,3%	6,23%	2,3%	4,2%
Non-permanent workers	n/a	31,2%	n/a	n/a	17,6%	18,4%
Average	7,9%	23,7%	29%	23,6%	10,5%	10,2%

Source: Rosen et al (2003b)

A matter of concern to the companies in the study was the high level of HIV positive employees that are either skilled workers (average 16,58%) or managers/supervisors (average 6,57%). These are the people that have the necessary knowledge and skills to make sure that activities run smoothly. Senior management mostly delegates rights and responsibilities via line management, supervisors and senior workers. Although these are the people that make sure the work gets done, it is usually unskilled workers (average 23,58% are HIV positive) that perform most of the physical work.

HIV/AIDS could affect the organisational structure of an organisation. The above data only gives the HIV prevalence rate, but as was discussed in Chapter 3 of this study, HIV leads to AIDS and that in turn causes death. Companies such as C, B and D that have high percentages of HIV positive employees have to acknowledge the fact that these workers, in the near future, will become ill and die. Who will then be responsible for decision-making? Who will then make sure that the day-to-day activities of the organisation run smoothly? Who will then make sure that the work gets done? Who will then do the work?

Management needs to be aware of this threat to the organisation. Again it should be asked whether internal auditors are aware of these facts and are bringing them to management's attention. An organisational structure, although it is a formal structure, consists of people. These individuals must be looked after by means of proper human resources policies and practices.

### **6.2.3 Human resources policies and practices**

A proper human resources policy, including aspects such as hiring, training, evaluating, promoting and compensating individuals, ensures that employees have a positive attitude regarding their employers and their work. HIV/AIDS is an illness that affects individuals and should thus be included in human resources management. Apart from the applicable legislation on HIV/AIDS (see 3.5) and the role of internal auditors in making sure that the organisation is adhering to this legislation, the cost HIV/AIDS has on human resources management must be calculated. Costs include the recruiting, training and possibly higher salaries of new employees to replace workers that have died or retired as a result of HIV/AIDS, prevention training programmes for current employees, prevalence studies to determine the percentage of HIV positive employees, the treatment of employees with HIV/AIDS, changes in medical aid contributions, pension fund contribution increases, end-of-service benefits, and increases in leave benefits.

The study performed by the Boston University addressed only the costs that were readily available from the current databases of the participating companies and did not include all the possible costs discussed in the above paragraph. In Table 11, the results of the Boston University research regarding the increase in wages as a result of HIV/AIDS employees, the percentage of this cost in relation to the total wages of the organisation, and the percentage of this cost as part of annual operating expenses are given.

Table 11: The cost of HIV

	A	B	C	D	E	F
Cost of HIV/AIDS	\$12021916	\$599913	\$207713	\$62930	\$13465	\$1010580
% of wages	3,7%	1,8%	5,9%	1,9%	0,4%	2,4%
% of annual operating expenses	0,62%	0,22%	0,6%	0,04%	0,01%	0,64%

Source: Rosen et al (2003b)

Although the cost for most of these companies seems relatively low in comparison to their annual operating expenses (all below 1%), HIV/AIDS is increasing the cost of labour and this affects the competitiveness of business in a global market. An increase of between 0,4% and 5,9% in labour costs due to HIV/AIDS seems rather low, but this increase in labour could affect the attractiveness of these companies to potential investors who depend on low-cost labour (NEPAD 2002).

Factors that suggest that these figures might be higher include the fact that not all costs were available to the Boston University group (see the discussion above). The assumptions used in this study were also very conservative (Rosen *et al* 2003b). The investigations were performed between 1999 and 2001, but the UNAIDS reports published since 1999 indicate an increase in the HIV/AIDS figures for Sub-Saharan Africa. Bearing these factors mind, organisations should note that the cost of HIV/AIDS for human resources management could be much higher.

The above discussion clearly indicates that HIV/AIDS does have an effect on the commitment to personnel's competency, organisational structure, and the management of human resources. For some companies the cost could be lower than for others. The fact remains that there is an effect, and management should know about this. Internal auditors, as management's

right hand regarding issues such as risk management and control, should know about these potential effects of HIV/AIDS for the control environment and make sure that management are aware of them too.

The second part of this chapter focuses on the results obtained from personal interviews with chief audit executives on these matters.

### **6.3 THE ROLE OF INTERNAL AUDITING WITH REGARD TO THE RISK OF HIV/AIDS**

The research methodology used to gather information regarding the role of internal auditors in managing the risk of HIV/AIDS for an organisation was discussed in detail in Chapter 5. The next part of this chapter focuses on an analysis and summary of the information gathered by means of the interviews held with the chief audit executives of eleven organisations.

#### **6.3.1 Background data**

As discussed in Chapter 5 (see 5.2.3), a survey was used to interview the eleven chief audit executives or person(s) responsible for risk management in the eleven organisations' internal auditing departments. It must be remembered that the results of this study are based on these individuals' perceptions and knowledge of the issues addressed in the questions asked by the interviewer. The questions were formulated to gather information on the role of internal auditors regarding the potential risk of HIV/AIDS. It could thus be possible that someone else, not in internal auditing, is performing the duties that should normally be the internal auditors' responsibility. As mentioned before, various studies have indicated that management is often aware of the threat of HIV/AIDS to their organisations, but this study only focuses on the role and perceptions of internal auditors.

The information is presented by distinguishing, where needed, between the respondents from the two groups, namely larger organisations with more than 10,000 employees and those with less than 10,000 employees.

### **6.3.2 Internal auditing's awareness of HIV/AIDS and risks to the organisation**

It was necessary to first establish what the chief audit executive or risk manager in each of the eleven organisation knew about HIV/AIDS. All eleven interviewees indicated that they believe HIV/AIDS is a threat to their organisations. Some even knew where this risk lay on their organisation's risk ranking list (high risk). All agreed that they advised management on various risk matters and all except one small organisation indicated that this includes the risk of HIV/AIDS. On the question as to what the role of internal auditing is or should be regarding this risk, all except one (from the smaller organisation group) agreed that the risk of HIV/AIDS should be treated like any other risk in the organisation, as prescribed by the *standards* of the Institute of Internal Auditors and the King Report (refer to 2.4.3 and 3.7). Comments varied from a need to take only a consulting role (giving advice to management and making sure management has a policy in place), to managing the risk (assuring that the risk is managed by performing audits on the policies, strategies and plans of management; facilitating workshops; monitoring management's actions; and incorporating HIV/AIDS issues in the human resources audit).

These findings were contradicted by the answers received to a number of specific questions as to what the internal auditing department's tasks were regarding the management of this risk. Only major issues such as HIV/AIDS policy, legislation, prevalence studies and monitoring the effects and the cost of HIV/AIDS were included in the interviews.

### **6.3.3 Internal auditing's assistance to managing the risk of HIV/AIDS**

Each responded agreed that his/her organisation does have a HIV/AIDS policy, drawn up by management. Only two of the chief audit executives of the larger organisations indicated that they had been part of the process of developing this policy, by either commenting or by reviewing the final product. The internal auditors in the smaller organisations had been more involved with three of the five being part of the process and one even being part of the development team.

Most of the people interviewed indicated that they were aware of the additional legislation regarding HIV/AIDS, specific issues applicable to organisations, but when they were asked whether someone in the organisation was monitoring compliance and whether internal auditing was incorporating this in their audits, the answers did not tally with their claim. None of the internal audit activities of the six larger organisations incorporated compliance with the legislation in their audits and two were uncertain whether anyone was monitoring compliance. The internal audit activities in the smaller organisations were more certain about their facts and all indicated that someone in the organisation was monitoring compliance, but again, not one had incorporated compliance with the legislation in audits.

On the issue of prevalence studies and the voluntary testing of employees, only two of the internal audit activities of the larger organisations indicated that such studies take place at their organisation. What was worrying was that two of the organisations were unsure about what prevalence studies were and whether these studies were being undertaken by their organisations. All five the smaller organisations knew about prevalence studies and three of the five indicated that their organisations do undertake these tests. All indicated that internal auditing plays no role in these studies; neither in the identification of a suitable company or person(s) to perform the tests, nor the monitoring of the process, the evaluation of the

results, assisting management in the interpretation of the information, nor any other activity that forms part of prevalence studies.

Except for one of the smaller organisations, where the chief audit executive is part of the AIDS Committee, most indicated that internal auditing is not directly involved with monitoring and managing of HIV/AIDS. This is not the task of an internal auditor, but as indicated in the discussion on the cost of HIV/AIDS to an organisation, management must be aware of what this disease is costing the organisation to be able to manage these costs and control the bottom line, namely the profit margin. Internal auditors should make sure that the information management receives is accurate and reliable. To the question whether the chief audit executive was aware of their organisation monitoring the costs of HIV/AIDS, only one respondent from the larger organisations confirmed that he was aware that it happened, two were uncertain and three were positive that it was not done. The smaller organisations all knew that some of the cost was either monitored (two of the five) or was definitely not monitored. Only one internal auditor from a large organisation indicated that internal auditing played a role in this process, namely auditing the direct known costs involved by HIV/AIDS.

With regards to general issues such as whether internal auditing is directly affected by HIV/AIDS, two chief audit executives of the larger organisations confirmed that some of their organisation's staff members had left the company as they were infected with the disease, and all agreed that it is not impossible that internal auditing could be directly affected. Furthermore, to the question whether it is essential that internal auditing staff have a general knowledge of HIV/AIDS, all agreed that this is a given, but, except for one large organisation, they acknowledged that this was not the case at the moment. Except for two organisations, all confirmed that their organisations were actively involved in a HIV/AIDS programme for the local community, but internal auditing was again not directly involved.

More specifically, internal auditors as control specialists should ask whether HIV/AIDS has an effect on the control environment as the basis of the control system. Internal auditors should be aware of management's efforts to address the HIV/AIDS risk, the costs involved, and if applicable, draw management's attention to the risk of HIV/AIDS threatening the control system.

#### **6.3.4 Internal auditing's awareness that HIV/AIDS weakens certain elements of the control environment**

The information gathered by the Boston University group, although limited to data easily available on the organisations' data bases, clearly indicates that HIV/AIDS does have an effect on certain elements of the control environment. The elements probably most affected by the disease include the commitment of the workforce to competence, organisational structure and the human resources policies and practices. It has also been argued above that internal auditors, as control specialists and management's right hand regarding risk management, should know about the effects of HIV/AIDS on the control system, and therefore the control environment that forms the basis for the control system.

##### **6.3.4.1 Commitment to competence**

Although all the respondents agreed that HIV/AIDS has an effect on costs due to absenteeism, loss of personnel, staff turnover, the need to replace workers, the training of new workers, employee performance and loss of productivity, they were uncertain whether their organisations were monitoring these costs, and indicated that internal auditing were not involved in this monitoring, for example, auditing the process that accumulates the costs. Most of the interviewees were either unsure whether their organisations monitored the cost of HIV/AIDS regarding the commitment to a competent workforce, or were certain that it was not done. Only one chief audit executive of the larger organisations and two of the smaller ones indicated that they were aware that some of the costs

were monitored, but two were uncertain about which of these costs. Only one respondent of the smaller organisations indicated that the internal auditing department was actually auditing the costs regarding HIV/AIDS, but on a very limited basis. The latter finding contradicted the claim by five of the respondents of the larger organisations and two of the smaller ones that they were seeing the effects of the disease on the morale of the workforce and thus agreeing that it was affecting the day-to-day activities of the organisation.

#### **6.3.4.2 Organisational structure**

The organisational structure encompasses the everyday running of a business. HIV/AIDS could affect these activities due to absenteeism or a loss of key personnel, including supervisors and decision-makers, the diminishing competent workforce, production disruption with regard to reporting processes, decision-making and the co-ordination of activities. To the questions whether HIV/AIDS had an effect on the delegation of rights and responsibilities and the day-to-day co-ordination of business efforts, the organisations where internal auditing was more involved in managing this risk clearly indicated that HIV/AIDS does have an effect on both, and that in some cases a major crisis is faced by these organisations. Still, except for the respondent of one large organisation that was involved in consulting management with regard to the outsourcing of certain functions, all indicated that internal auditing was not playing a role in the potential crisis that their organisations were facing. All indicated that their managements were not restructuring their business units or considering such a process to address the risk of HIV/AIDS. Only one respondent of a large organisation indicated that its management was investigating the possibility of replacing workers with technology to address this threat.

#### **6.3.4.3 Human resources policies and practices**

An organisational structure within a typical organisation consists of individuals performing certain tasks, hence, the human resources policies and practices that HIV/AIDS could affect should be investigated, such as benefit payments, recruitment and training costs, medical aid, pension funds, prevention training, the treatment of workers with HIV/AIDS, and increases in salaries. As discussed in 4.3.3, certain factors increase the likelihood of HIV/AIDS amongst the workforce (when employees live away from their families, the organisation conducts long-distance transport activities, and when middle- or upper-level employees travel frequently). Nine of the interviewees confirmed that one or more of these elements were applicable to their organisations. One of the respondents of the large organisations even indicated that the organisation was replacing own transport drivers with private owner-drivers. This suggests that the HIV prevalence rate is high or could increase as a result of these factors being present. Almost all (ten of the eleven interviewees) indicated that they were aware that these factors increased the likelihood of HIV/AIDS amongst the workforce. Except for a respondent of one of the larger organisations and three respondents from the smaller organisations, all were uncertain whether management were aware that these factors have an effect on the extent of HIV/AIDS amongst the workforce.

Some of the interviewees were either uncertain whether HIV/AIDS issues were incorporated in human resources policies and practices (in two of the larger organisations) or were sure that they were not (in one of the smaller ones). Those that indicated (eight of the interviewees) that it was part of human resources manuals confirmed that only certain issues were addressed. Only one respondent of a larger organisation confirmed that most of these factors were included in its human resources manual. Contradicting to the fact that most agreed that certain elements were included in their human resources manuals, only four respondents confirmed that HIV/AIDS-related issues were included in the internal audit

departments' audits or investigations; and then they only observed trends in certain factors.

Regarding the cost of HIV/AIDS to human resources management, most were either uncertain about whether their organisations were monitoring applicable expenses or knew that it was not done. Therefore, internal auditing played no role either, for example, auditing the accumulated costs involved. Only three of the respondents indicated that it was being done, but included only direct costs, such as increases in the medical aid contributions. Only one of these three respondents confirmed that the internal auditing department was auditing these costs accumulated by management.

On the subject of prevention programmes implemented to prevent further infection amongst the workforce, only three of the interviewees indicated that they do audit adherence to these programmes implemented by management. One of these three indicated that it only did so as part of its health and safety audits and not specifically for HIV/AIDS programmes. The internal auditing function was not involved in the determination whether these programmes were achieving their objectives, namely the prevention of the spread of the disease amongst the workforce.

#### **6.4 OVERALL ASSESSMENT OF THE RESEARCH FINDINGS AND SUMMARY**

The first part of this chapter focused on the costs related to HIV/AIDS in certain elements of the control environment. The information gathered by the Boston University indicates that HIV/AIDS has an effect on the competence of the workforce in the form of increased absenteeism, the loss of competent workers, a loss in productivity due to the need to train new employees and supervisory efforts. The data further indicates that the organisational structure is affected due to delegation of rights and obligations, the co-ordination of tasks and the day-to-day running of activities, as the number of supervisors and managers infected with the

disease is abnormally high. Thirdly, the information shows that human resources management is affected, as the cost of HIV/AIDS as a percentage of total wages can be as high as 5,9%.

The second part of this chapter focused on the role of internal auditors regarding the risk of HIV/AIDS and its effect on the control environment. It was clear from the research results that HIV/AIDS poses a risk or potential risk to the organisations that participated. All the interviewees indicated that internal auditing is responsible for advising management on risk issues, and ten of the eleven interviewed agreed that this should include the risk of HIV/AIDS. The rest of the research study showed that the contrary was actually being practiced. Internal audit activities play no role or a small role in important issues regarding HIV/AIDS such as a HIV/AIDS policy, compliance with applicable legislation, and prevalence studies. With reference to monitoring of the effects and the costs of HIV/AIDS to the control environment, very little was being done by most internal auditing activities. The fact that some were unsure about whether management was controlling and monitoring the cost of HIV/AIDS was very worrying. A risk can only be controlled if all the information regarding that risk is made available and internal audit has verified that the information used in the decision-making process is reliable, for example, by auditing the data and processes.

The next chapter focuses on a detailed interpretation of the research results, problems identified and steps that should be taken to rectify the problems and further research that may be relevant to this topic.