

CHAPTER 7

SUMMARY AND CONCLUSIONS

7.1 INTRODUCTION

In the previous chapter, the results of the study were given. The aim of this chapter is to summarise these results, interpret the information, come to a logical conclusion, and make recommendations to rectify the problems identified. Finally, areas related to this study's topic that should be investigated further are listed.

7.2 SUMMARY OF THE RESULTS OF THE STUDY

The results of this study can be divided into two main areas, namely the effect of HIV/AIDS on the control environment, and the role of internal auditors with regard to managing this risk in the organisation.

7.2.1 The effect of HIV/AIDS on the control environment

The first part of this study was limited to the information gathered by the Boston University related to issues affecting the control environment, such as absenteeism. Furthermore, only those elements of the control environment most likely to be affected by HIV/AIDS were included, namely commitment to a competent workforce, organisational structure, and human resources policies and practices. With regard to a competent workforce it was proven that absenteeism increases as a result of HIV/AIDS. A loss of employees occurs as a result of retirement of ill workers or death of workers due to HIV/AIDS, and with that there is a loss of expertise and skills. There is a major reduction in productivity due to new employees' learning curve, people is feeling ill at work and not performing their tasks as well as they should, and supervisors that have to

assist workers when workers feel unwell or supervisors that perform the workers' tasks due to the absenteeism of employees with HIV/AIDS.

With regard to organisational structure, the only information that could be linked to the day-to-day running of organisations affected by HIV/AIDS is the fact that the disease infects all levels of the workforce; from unskilled workers to managers, who are the people that make decisions and control functions, activities, *et cetera*.

Human resources management is affected by HIV/AIDS, as it has been shown that the cost of the disease as a percentage of total wages was as high as 5,9%. Bearing this information in mind, internal auditors were approached to evaluate their knowledge of and participation in managing this risk for the organisation.

7.2.2 The role of internal auditors regarding the risk of HIV/AIDS

The interviews held with the various chief audit executives or risk managers in internal auditing departments were structured to address three main areas, namely the internal auditors' awareness of the potential risk of HIV/AIDS to their organisations, internal auditing's assisting management with the management of this risk, and internal auditors' awareness that HIV/AIDS weakens the control environment as the basis for the control system.

Most interviewees agreed that HIV/AIDS is a risk to their organisation and that internal auditors must advise management on risk matters, including the risk of HIV/AIDS. On the issue of a formalised HIV/AIDS policy, all indicated that their organisation did have one, but most of the internal auditing departments had not been part of the process of developing or evaluating the final document. Internal auditors are aware of the additional legislation pertaining to HIV/AIDS, but none of the interviewees included these issues in their compliance audits. Some indicated that they were aware of other personnel, mostly human resources staff, who were

monitoring compliance with the legislation linked to HIV/AIDS. With regard to prevalence studies performed by management to determine the incidence of the disease amongst their workforce, internal auditing has played no role in assisting management. Some of the interviewees were even uncertain about what prevalence studies were. The same results were obtained regarding the monitoring of the cost of HIV/AIDS to an organisation. Most were either unsure whether management was monitoring the cost of the disease, or were sure that it was not done. Again, internal auditing had played no role in the process, either by making management aware of these additional costs, or by auditing the process, procedures and methods.

Internal auditors as control specialists should make sure that the control system is functioning as planned and that the control procedures function within a sound control environment. All the interviewees agreed that HIV/AIDS could have an effect on a competent workforce, organisational structure, and human resources policies and practices. With this in mind, it was worrisome that almost all the interviewees indicated that either their organisations did not monitor the cost of HIV/AIDS in relation to these elements of the control environment, or they were uncertain whether it was being done. In the organisations where the costs were monitored, except for one, internal auditing had played no role in this process, either by auditing the methods used and the information gathered, or by advising management on issues such as restructuring the business to accommodate the effects of HIV/AIDS. Almost all indicated that the factors increasing the likelihood of HIV/AIDS amongst the workforce were present in their organisation, thus increasing the possible effects on human resources management. Most agreed that they were uncertain about whether HIV/AIDS-related issues were incorporated in their organisation's human resources policies and practices.

With the above in mind, the information gathered during the research is interpreted below and a conclusion is reached in order to make a recommendation on how to address these issues and rectify the problems indicated.

7.3 INTERPRETATION OF THE RESULTS WITHIN THE LIMITATIONS OF THE STUDY

The results from the information gathered by Boston University indicated that HIV/AIDS does have an effect on certain elements of the control environment. Although the information obtained from the study was limited as a result of the sensitivity of the disease and a lack of data available on the data bases of the organisations included in the study, the Boston University study has demonstrated that HIV/AIDS affects the competence of the workforce, the day-to-day running of the business and thus the organisational structure, and lastly the management of human resources. It can be assumed that the effects of the disease will differ from organisation to organisation, and that for some the effect can be devastating.

With regard to the role of internal auditors in the management of this risk, only eleven chief audit executives were interviewed. Statistical sampling was not used and formal questionnaires were not circulated. Statistical sampling would not have succeeded, as internal auditing is a relatively new profession. In South Africa, with the recent issue of the King Report and Public Finance Management Act, Act No 1 of 1999, a number of internal auditing functions are in the process of either being established or of being upgraded. Having completed the personal interviews, the interviewer has concluded that formal questionnaires would not have been successful in obtaining the relevant information. The reasons for this conclusion are that the interviewees, although they were eager to participate, were mostly very ignorant about the effects of HIV/AIDS on their organisation. To try to make the situation look better, they kept referring to other people in the organisation as doing quite a lot regarding

the management of HIV/AIDS. This study's main objective, however, was to focus on internal auditing's perspective on the risk of HIV/AIDS.

The distinction made between the smaller and larger organisations was shown to be necessary as, in most cases, the smaller organisations were more actively involved or knew more about what their organisations were doing about the risk of HIV/AIDS. The reason for this is probably that internal auditing in smaller organisations is assisting management on all issues related to risk and compliance. Some of the larger organisations had separate compliance departments, risk management divisions, HIV/AIDS committees, or other forums. In these instances, the chief audit executive believed that the risk of HIV/AIDS was covered and internal auditing had a very limited role, if any, to play in the management of HIV/AIDS. This is in contrast to the definition of internal auditing, the Professional Practices Framework of the Institute of Internal Auditors, especially the *standards*, and the King Report on Corporate Governance.

The management of risks is the responsibility of the Board of Directors (see 3.7), and the role of internal auditing is to give an assurance to all stakeholders that the risks threatening the organisation are being adequately managed (see 2.6.2). Although all the interviewees agreed that HIV/AIDS is a threat to their organisations, only a few were performing their duty regarding this risk. The level of commitment and the tasks performed varied considerably, ranging from total ignorance of HIV/AIDS in a business environment, to having people in the internal auditing department with detailed knowledge of the disease and performing most of the tasks needed to be able to give stakeholders the necessary assurances. Only one organisation was very actively involved in monitoring the management and effects of HIV/AIDS, and although this internal auditing activity had undertaken most of the steps needed to address the issues raised in the questionnaire, some were still not properly in place.

Given the role that management and internal auditing respectively have to play in the management of HIV/AIDS, as well as the summary and results of this study, a number of conclusions can be reached and recommendations can be made.

7.4 CONCLUSIONS AND RECOMMENDATIONS

As mentioned above, the risk of HIV/AIDS should be managed by the Board of Directors, using the expertise available in or to the organisation either to minimise the effect of the disease on the organisation by controlling certain factors, or to eliminate the risk, which is not possible, as all organisations need people to perform certain tasks. The role of internal auditing is often limited to giving assurances to all stakeholders that the risk of HIV/AIDS is being adequately managed. This should include making management as well as other people aware of the potential threat posed by the disease to the organisation, business unit or department; audits of the information used to make decisions regarding HIV/AIDS and compliance with legislation and other rules and procedures; auditing workplace programmes on HIV/AIDS (see Annexure B); giving advice on and evaluating plans and procedures; giving advice on what should be monitored and how this can be done; being involved in the implementation of programmes or projects regarding HIV/AIDS, such as prevalence studies and prevention programmes; running the reporting process on HIV/AIDS including financial statement reporting and sustainability reporting; and evaluating the effects on specific areas relevant to the duties of internal auditors such as the control system. The one organisation interviewed in the study that performed most of the above tasks, agreed that even they were not doing everything possible and that specific guidelines should be set up to help internal auditing departments to do all they can to assist in the management of this risk.

HIV/AIDS is not a common risk; that is, not all people are aware of the real consequences of this deadly disease to the world, countries, communities, the business environment and organisations. Internal auditors may not be

specialists on HIV/AIDS, but this does not lessen internal auditing's responsibility regarding its role in managing this risk. Internal auditing should treat HIV/AIDS just like all other risks threatening the organisation. According to the *standards* of the Institute of Internal Auditors, if expertise is lacking in an internal auditing function, this expertise must be obtained from elsewhere.

HIV/AIDS is a real threat to organisations, especially in Sub-Saharan Africa. Internal auditors are not experts on diseases and how HIV/AIDS could affect their organisations. Internal auditors are, however, management's right hand on risk management, control and corporate governance. Hence, this study concludes that internal audit guidelines should be developed to assist internal auditors in their duty regarding the management of HIV/AIDS. These guidelines should be developed by the Institute of Internal Auditors Inc. with the help of people in the internal auditing profession who are actively involved in the issue of HIV/AIDS, but could include experts from other areas such as the medical profession, the insurance and medical aid environment, human resources management and wellness partners.

7.5 AREAS FOR FURTHER RESEARCH

In conducting this research study, other topics that can be linked to this study were identified. These topics should be considered:

- The weakening of the control environment as a result of a disease such as HIV/AIDS can result in an increase of fraud.
- The weakening of the control environment can affect the rest of the control system, especially control procedures.
- A database needs to be developed to monitor the effects of HIV/AIDS on organisations.
- There is a need to establish an executive committee to manage high-risk issues that threaten to lead to the disintegration of organisations, such as HIV/AIDS.