

Dear Q&A

I am a solo internal auditor who started up an internal audit function at my organisation about one year ago. I don't want to name my organisation or industry sector for obvious reasons which will become clear. I recently completed an internal audit on payroll, the first payroll audit ever performed, which found many employees are being underpaid.

I took this up with the chief financial officer who told me if I issued the report in its present format, it would almost certainly affect my employment. I took this to mean I would be fired. I also took it to mean management is aware that employees are being underpaid, either deliberately or accidentally, and is doing nothing about it. What can I do?

Answer

In this situation, the solo internal auditor is the chief audit executive (head of internal audit), so has nobody else to make the decision about what to do.

There are a range of possible options for the internal auditor to pursue. It would not be appropriate for this response to suggest a single recommended course of action, as we do not have all the information, and neither do we understand the organisation, its management, or its dynamics.

Options for the internal auditor could be:

- › Do nothing and keep quiet about the underpayments – If wage theft is occurring, this would not be an ethical choice. It would be inconsistent with the IIA 'Code of Ethics' requirement of 'integrity'
- › Resign – This would, of course, depend on the internal audit employment market, together with the internal auditor's personal situation, economic situation, qualifications and experience, and likelihood of finding equivalent work elsewhere within a reasonable amount of time. It might also be argued that resignation means the internal auditor is condoning an unethical act.
- › Discuss with top management – The internal auditor already tried to discuss the underpayments with the chief financial officer and was rebuffed. The internal auditor may be able to discuss this with the chief executive officer or another manager who is senior to the chief financial officer.
- › Discuss with the audit committee chair – If there is an audit committee at the organisation, this would seem a good avenue to pursue.
- › Report the matter to the organisation's external auditor – This would be a sound option.
- › Make an anonymous whistle-blower report to the organisation's ethics hotline – Also a possibility, though the internal auditor would need to have knowledge of whether the organisation's whistleblower service is independent and effective.
- › Make a report to a government regulator – This would be the federal government Fair Work Ombudsman.

Most of these options require the internal auditor to have established sound working relationships with a range of parties, especially the chief executive officer, chair of the audit committee, and the external auditor. It is good practice for any chief audit executive (head of internal audit) to do this, whether they are a solo internal auditor or head of a large internal audit function.

Need an answer? Send your questions through to IAassist@iia.org.au