The CEO Corner

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Closing the South African Gender Gap in Internal Auditing: Challenges and Prospects for Transformation

1. Introduction

As the internal auditing (IA) profession continues to evolve and become more diverse, the advancement of women in IA has become a major focus. However, despite the progress made, a lot still needs to be done to address issues of underrepresentation and the gender gaps existing within the various roles across the IA profession.

The 2015 Global Internal Audit Common Body of Knowledge (CBOK) Practitioner Survey reveals that women make up a large portion of the internal audit profession around the world. Nevertheless, women are faced with considerable challenges as they circumnavigate through their careers in internal auditing. CBOK is the world's most thorough and rolling study of the internal audit profession. It also analyses the makeup of the internal audit profession and incorporates the studies of internal audit practitioners and their stakeholders. During the 2015 CBOK survey, more than 5,400 women took part in roundtable discussions and responses to questionnaires. This represents 38% of total responses.

2. Why the concern about women internal auditors?

It is important to create conditions favourable for women to acquire skills, grow, and contribute to economic prosperity with various vocations including that of IA. Just like men, women need to generate income, access basic services, and look after their families. Empowerment of women is key to enabling them to achieve this. They need to be given the same opportunities as men.

Writing with his counterparts, Stephen Bear argues that women in internal audit leadership positions and boards improve a firm's reputation, resulting in highly rated corporate social responsibility. On the other hand, Amy Hillman, proposes that such women must possess professional experience which improves the performances of organisations that they work for. A somewhat controversial assertion is that female executives tend to possess better transformational leadership qualities than their male counterparts[1]. Additionally, they possess leadership qualities that make females more cooperative towards their subordinates and improve earnings quality.[2] Female managers and professionals tend to be agents of change, provide competitive platforms to change traditional policies, develop robust monitoring

[1] Burke & Collins 2001. Burke, S., & Collins, K. M. (2001). Gender differences in leadership styles and management skills. *Women in Management Review*, 16(5), 244
256. https://doi.org/https://doi.org/10.1108/09649420110395728

[2] Francis, B., Hasan, I., Park, J. C., & Wu, Q. (2015). Gender differences in financial reporting decision making: Evidence from accounting conservatism. *Contemporary Accounting Research*, 32(3), 1285–
1318. https://doi.org/https://doi.org/10.1111/1911-3846.12098

mechanisms and make CEOs more accountable.[3] Therefore, a significant share of female financial experts on audit committee chairs have a more pronounced effect on earnings management than their male counterparts.[4] Another way in which female executives are more distinctive, is that they are more risk-averse and more accounting conservative[5] than their male colleagues. Women tend to have high moral and ethical standards and so have more transformational leadership qualities. Having such distinctive leadership qualities, the expertise of women in internal auditing could be said to perform better than men in the same field. The research concludes that women with internal auditing know-how are essential to enhance the efficiency of internal auditing functions and potentially have a more pronounced impact on financial reporting quality than men. The reason for this manifestation is due to the many differences between female and male directors, which include leadership styles, investment behaviours, management styles, ethical considerations, accounting conservatism, and risk-taking behaviours.

3. Gender underrepresentation in internal audit profession in the Africa region

In some African countries, women are disadvantaged as a result of traditional, historic or cultural factors which may expect women to be subservient to men. Many women fail to advance to higher managerial levels due to what is called the “glass ceiling.” The glass ceiling is a metaphor well known in gender studies as referring to the inability of many women being unable to advance past certain senior managerial levels in their occupations and professions despite their high achievements and qualifications. The glass ceiling phenomenon negatively affects economic growth and threatens the achievement of gender equity goals in the internal auditing fraternity. Breaking the glass ceiling is important for equal and fair representation of women at all hierarchical levels. Organisations must adopt the concept of equal opportunity with a true spirit. The glass ceiling affects the progress of economic agenda reforms through the full participation of women.

It is pivotal in the case of African countries to achieve the maximum level of economic efficiency through full utilisation of human resources development potential. In this case, the focus is to highlight the issues that restrain females from fair representation at virtually all levels of internal audit. Conflicts could also arise within family situations which block the advancement of women due to a lack of cooperation from their spouses. Some of these gender barriers are not confined to the internal auditing profession alone but across the breadth of the economy. Work and psychological stress become inevitable and could cause a downward spiral for women with career ambitions to excel in their careers. Stereotypical attitudes towards women highly demotivate them from being efficient at work and could result in performance issues. Organisational and cultural barriers may be seen as the root causes of discrimination. In some countries, assumptions, cultural norms, stereotypes, and values are deeply rooted in patriarchal and religious traditions that are difficult to change.

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[3] Srinidhi, B., Gul, F., & Tsui, J. (2011). Female directors and earnings quality. *Contemporary Accounting Research*, 28(5), 1610–1644. https://doi.org/https://doi.org/10.1111/j.1911-3846.2011.01071.x

[4] Zalata, A. M., Tauringana, V., & Tingbani, I. (2018). Audit committee financial expertise, gender, and earnings management: Does gender of the financial expert matter? *International Review of Financial Analysis*, 55(5), 170–183. https://doi.org/https://doi.org/10.1016/j.irfa.2017.11.002

[5] Faccio, M., Marchica, M.-T., & Mura, R. (2016). CEO gender, corporate risk-taking, and the efficiency of capital allocation. *Journal of Corporate Finance*, 39, 193–209. https://doi.org/https://doi.org/10.1016/j.jcorpfin.2016.02.008

4. Implications for increased women representation

The fact that women tend to be less corrupt, more risk-averse, and have more transformational qualities is important for regulators and shareholders. The findings reveal that the internal auditing expertise of women improves corporate governance mechanisms and enhances financial reporting quality. This has implications for shareholders, since women improve monitoring, enhance value creation, and secure investor rights. Increased transparency boosts confidence from shareholders and aspiring investors. For regulators in emerging and developing economies like many African economies, regulators should encourage companies to designate female directors with accounting expertise, with a leadership role in audit committees.

Audit leaders should encourage gender diversity in internal audit activities, especially activities that expose professionals to experiences and opportunities for progressive leadership so that it becomes clear for younger professionals to imagine themselves as career auditors because the chief audit executive (CAE) and other leaders have a plan which shows opportunities for professional growth that includes women. The transparency that women advocate for impacts shareholder and investor decisions since it boosts investor confidence, lowers capital costs, re-assures long-term investments, and decreases information gaps.

5. What do global the statistics say?

According to the Internal Audit Foundation 2022 Premier Global Research, globally, statistics show that the internal audit profession is inclined more towards men with men constituting 67%. However, the ratio of men to women differed dramatically across regions. In Asia Pacific, Africa, and the Middle East, men accounted for 69% or more of respondents. On the contrary, men and women are at 49% and 47% respectively in the Western economies.

However, despite having roughly equal numbers in North America, women had lower representation at managerial and chief audit executives (CAEs) levels compared to men. The underrepresentation of women in higher managerial positions is called, or the “glass ceiling” mentioned previously are the invisible barriers or blockages that restrict women from rising to top leadership positions. The CBOK survey indicates that in larger organisations, top management positions in internal auditing are more often held by men than by women. While there is a gap between men and women, it is narrowing in Europe and North America. For those under 30, men and women were represented almost equally. However, for the over-60 age bracket, men represented 72% of internal auditors. These changes play out in a variety of ways within regions. For example, in Europe, the percentage of women consistently increased as the age cohort decreased. This might be interpreted to mean that more women are entering and staying in the profession. If this trend continues, in the long run, the representation between men and women in Europe may become equally balanced, as it is in North America. This suggests that as the relatively younger female workforce ages, the number of women moving into senior positions in internal auditing may increase gradually. However, in emerging economies like Africa, Southeast Asia and the Middle East, the profession is dominated by men although there have been increases among women but only substantial in those under 30. On average, the women who participated in the survey held lower-level positions than the men, but they were also generally younger than their male counterparts.

6. The case of South Africa

According to the World Bank's latest classification, South Africa is an upper-middle-income country. When it comes to internal auditing, the country has developed a robust presence both in the private and public sectors. The country's local internal audit functions compare well with other more developed regions around the world. A factor that has contributed to the strength of South African internal auditing is the support contained in legislation namely, the Public Finance Management Act (PFMA) together with the related Municipal Finance Management Act (MFMA) that both continue to underpin public sector advances. On the other hand, the private sector codes of corporate governance are promoted through the King IV report, applying across all sectors in South Africa.

Despite the relative advancement of South Africa in the IA field, a lot still needs to be done when it comes to the representation of women in the internal audit function. When it comes to the South African situation, research indicated that the gender distribution of employees of an internal audit function (IAFs), was 43.4% female and 56.6% male respectively. While most of the employees of an average IAF were of Black/Indian/Coloured (non-white) origin, the distribution was not representative of the composition of the South African population.

There is a dearth of research on women internal auditors in both South Africa and Africa respectively. The IIA South Africa might consider carrying out such a noble investigation. However, the existing publicly information for female internal auditors seems to suggest that they too are underrepresented.

7. Challenges Facing Women Internal Auditors

Some of the factors that hinder women from taking full participation in the internal auditing profession include the need to juggle family responsibilities, cultural barriers, the need to work beyond normal working hours, extensive travel, lack of quality education, occupational sex discrimination, office politics and other biases.

As a generalisation, some women may bow out of the profession before the CAE level due to the constraints of being working mothers and having to raise their families.

7.1 Balancing Work and Family

Some women may find a challenge to juggle family responsibilities within a fast-paced, and often travel-intensive career in internal audit.

7.2 Women moving out of the audit profession.

Unconscious and conscious bias which may present itself throughout a women's internal audit career may drive more women than men to leave the workforce to pursue other careers or priorities. Some highly qualified women move out of the profession before they reach the CAE role. Organisations should ensure that women are retained within internal audit long enough to become CAEs.

7.3 Travel

Somewhat related to general challenges stemming from women trying to juggle a career while raising a family, is the fact that often internal audit roles involve a great deal of travel. There is a high probability that women will leave such industries that require a lot of travel like engineering as opposed to sectors like finance that might require less travel.

7.4 Lack of assertiveness

In some cases (not all cases) due to social norms, personality, culture, and politics, some women tend to be less assertive and less competitive, and they display a lack of confidence compared to their male counterparts.

7.5 Cultural/Historical factors

Cultural norms play a role in the acceptance of women in the workforce and in management positions. Cultural and historical issues were described to be particularly important in parts of the world where women have traditionally been viewed as inferior to men in Africa, the Middle East, and some South Asian regions. This can be the reason why there is a wider gap between men and women in emerging economies more than in the developed regions.

8. Dealing with the challenges for the success of women in internal auditing

In the CBOK survey, many women were optimistic about how to overcome the glass ceiling in internal auditing. The interviewees were very positive and encouraging. Their collective message was that to succeed in the profession, one needs to be courageous, competent, and hard-working. With those characteristics in mind, women should not feel despondent by the challenges that are presented above; as there are as many, or more, opportunities as there are challenges for women in internal auditing.

8.1 Craft and plan an internal audit career deliberately

During the CBOK survey a women internal auditor advises women internal auditors that they must exude confidence. Women should invest in themselves and acquire capabilities that fit with the demands of the job.

Female candidates should not shy away from getting what they want because of male dominance. To be successful, women must embark on intentional planning on how they can attain their objectives careerwise. Indeed, women might benefit from being more strategic in their career planning.

8.2 Attend conferences and networking sessions

Networking assists in connecting women to opportunities. Networking helps one to be visible to other professionals in the sector. While networking, it is possible to identify mentors, and rub shoulders with and build valuable relationships with other successful women (and men) in internal auditing who may serve as role models and sponsors.

8.3 Skills set diversity

Women internal auditors should expand their focus. It was shown that women tend to focus on internal audit and not want to be diverse and learn about other skills. IA is a profession that requires more than one competency. Any added value that one can add to the organisation is advantageous because we do not know when or where our advice might be required by stakeholders. IAs need to equip themselves with a diverse range of topics to get exposure and be able to provide opinions that are well-informed and valuable. Curiosity may lead to unlimited possibilities.

Similar percentages of women and men in internal auditing had an academic focus on accounting, but men were more likely than women to focus on other academic majors.

8.4 Speak up and seek mentors

For women to rise through the company ranks, they need to make it clear that they have identified and embarked on their career path. Women should make their intentions known by all by speaking out. Secondly, be confident in sharing opinions in meetings and informally. Thirdly, women are encouraged to look for mentors preferably from another strong female leader or a male advocate. Such interactions help individuals sharpen their skills and can help women leverage what strategies others have used to succeed in their careers. It is important to surround themselves with positive and supportive people who can provide encouragement and offer a different perspective to deal with challenges.

9. Conclusion

Addressing the challenges of women in internal audit and audit leadership positions is not just a matter of social responsibility; it's a strategic business imperative that can significantly impact an organisation's success, competitiveness, and long-term sustainability.

However, in order to fully embrace the opportunities ahead, women need to be courageous and embrace authentic leadership. Authenticity is key to effective leadership. Women internal auditors and audit leaders should feel empowered to lead in a way that aligns with their values and strengths, rather than conforming to traditional or stereotypical expectations. This involves embracing their unique perspective, leveraging empathy and collaboration, and confidently making decisions that reflect their personal and professional integrity.

Women should also build trust through transparency. By its nature, being authentic fosters trust within their internal audit function and within their organisation. Transparent communication, vulnerability, and a genuine approach to leadership can inspire others and create a more inclusive and supportive environment.

The business world can present challenges, particularly for women who may face gender bias or other systemic barriers. A focus on wellness and resilience can allow women to remain focused on long-term goals, overcome setbacks, and not let adversity define their journey.

Women in internal audit should cultivate a mindset that is open to change, whether it involves learning new skills, shifting strategies, or embracing new opportunities that might take them out of their comfort zone. These lessons can empower women to lead with confidence and impact, navigating the complexities of work while staying true to themselves and their values.

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