TRUTH-TELLING

IN A WORLD FULL OF FACTS, FICTIONS, AND FRAMES

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Title
Truth-telling in a world full of facts, fictions, and frames

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Truthfulness in a world full of facts, fictions, and frames

Executive summary

1. INTRO

Finding the truth is part of the essence of the internal auditor's profession. It is not without reason that the new Global Internal Audit Standards explicitly expect internal auditors to exercise 'professional skepticism' when assessing information. However, finding the truth is not always easy in professional practice, especially in the current era of digitization and artificial intelligence. What is true and what is not, when is there deception? Is there even such a thing as one truth? How, then, do you, as an internal auditor, interpret the idea of 'professional skepticism'?

These are questions that touch on the fundamentals of the profession. IIA Netherlands has asked us, as researchers at the Erasmus School of Accounting & Assurance (ESAA), to investigate these intriguing and complex questions and to look for possible tools for dealing with them.

2. THEORETICAL EXPLORATION

As a basis for the empirical research, we first explain the concept of 'functional hypocrisy' on the basis of academic literature, examine the phenomenon of (self-)deception in more detail, and describe how heuristics and biases can play a role in the professional practice of internal auditors.

2.1 Functional hypocrisy

Functional hypocrisy refers to inconsistencies between what is said (talks & decisions) and what is done (actions) in organizations (Brunsson, 1989). Hypocrisy enables organizations to

to gain legitimacy for actions (or refraining from actions) that contradict what is said or decided. Hypocrisy is generally seen as a negative trait ('hypocrisy'), but under certain conditions and in certain circumstances it can also be functional and even necessary. Especially when organizations are faced with conflicting demands in their environment, it ensures that matters are brought together that would otherwise be irreconcilable.

Managing and controlling organizations repeatedly proves to be a complex balancing act between taking necessary business risks and offering the transparency expected by society. That balance is also shifting, for example under the influence of the Open Government Act (Woo) in the public sector and, for the private sector, through the Statement on Risk Management (VOR) in the new Corporate Governance Code, which requires companies to include information about their internal risk management and control systems in their management reports. Previous research has shown that functional hypocrisy is mainly triggered by: normative pressure, a sense of urgency, external threats, time constraints, conflicting values, scarce resources, and sometimes unrealistic expectations about what is possible and achievable. Many organizations where internal auditors do their work have to deal with this. Finding the right balance between transparency, public perception, and effective internal control mechanisms is therefore a constant challenge, especially in a context where public opinion can be merciless if the media reports on what is going wrong or what risks are involved.

2.2 Deception and self-deception

When (functionally hypocritical) organizations balance conflicting interests and the high expectations of different stakeholders, there is room for deception. We see deception as a conscious or unconscious attempt to leave someone else with an impression that does not entirely (or even at all) correspond to the truth, without prior warning (according to Van der Zee, 2020). Deception can arise from the (conscious or unconscious) expression of factual inaccuracies, but also from exaggeration, minimization, or withholding relevant information.

Deception manifests itself when attempts are made to subtly influence individuals' choices without sufficient reflection and mutual consultation. Exposing deception is a complex challenge because of the many forms and degrees of severity associated with it (Sunstein, 2015).

Deception can be conscious or unconscious and can be directed at others, but it can also be directed at oneself. This is known as self-deception. Self-deception is the conscious exclusion of true information, which is stored in varying degrees of unconsciousness. Normally, one would expect true information to be stored in the conscious mind and false information to be hidden somewhere deep down. But the reality is more complicated than that.

The literature reveals the versatility of (self-)deception in practice. It raises questions about its practical, professional, and fundamental aspects and underlines the need for critical reflection on the impact of deception in various contexts. This also applies to the internal auditor, whose role is partly to uncover deception (by others) but who sometimes also engages in deception (of others and also themselves).

2.3 Heuristics and biases in audit practice

Internal auditors are professionals responsible for conducting assessments: they must determine whether risks in the organization are adequately controlled and report on this to the organization's management. This judgment requires a certain degree of estimation because it is quickly accompanied by uncertainties. In this context, a heuristic is a term that refers to the shortcuts our brains use to make decisions. We also refer to these shortcuts in terms of gut feeling, common sense, or intuition.

It is important to recognize that heuristics are not good or bad in themselves; their effectiveness depends on the context. In some situations, heuristics can make people in organizations successful risk takers, while in other cases they can narrow their focus and lead to blindness to certain risks. In such cases, it is sometimes better to avoid biases. A bias can be described as a recurring pattern in which the average judgment deviates from the 'actual' value (Kahneman, 2011).

Our literature review highlights the importance of nuance: deception takes many forms and can be conscious or unconscious. The internal auditor himself also appears to encounter struggles in the repertoire of deception. The results of the empirical deepening we are seeking in this research shed light on how (self-)deception plays a role for internal auditors in practice, on the basis of which we can also offer practical tools on how to deal with this.

3. EMPIRICAL DEEPENING

In this study, we highlight the professional practice of the internal auditor, in particular through the insights gained from a questionnaire that was made available to members of IIA Netherlands between January and March 2024.

A total of 56 respondents participated, with 44 respondents completing the entire questionnaire. This study on deception of and by internal auditors used instruments that enable the measurement of heuristics and biases. It provides insight into mechanisms that can influence the judgment of internal auditors. Additional sources were also used, including two meetings with colleagues during the ESAA symposium and the IIA annual conference, which allowed the (largely qualitative) input from more than 200 audit colleagues.

3.1 Misleading internal auditors

The internal auditors involved in the study reflected on situations in their work in which they felt they were being (or were at risk of being) misled. Based on this, we identified six forms of deception and linked them to underlying biases using the research tools:

Deception of auditors	Key underlying biases
Rosy expectations, confusing the current and future situations: Auditees present their expectations about the future situation as the current reality. This leads to a distorted picture of the situation at the time of the audit.	Optimism bias (overestimating future success) and illusion of control (people think they have a clear picture of the future and recognize its contours in the current situation)
Spotlighting, highlighting information or concealing it: Auditees tend to present information selectively: highlighting positive results and downplaying negative aspects.	IKEA effect (attributing greater value to a self-made product) and self-justification bias (justifying actions to yourself but possibly also to others)
Hutspot information, reporting at a very general and/or very detailed level: Auditees paint a credible picture, but the details are often deliberately omitted.	Self-justification bias and mum effect (keeping quiet when things are not going well)
Use of jargon, attempts to create distance or closeness through word choice: Auditees use technical jargon to conceal the true nature of problems. This can lead to misunderstandings or underestimating the seriousness of the situation.	Authority bias
Playing with timing, suggesting progress or justifying delays: Auditees determine the timing of activities and results; the 'time of the photo' influences the picture that is painted.	Illusion of control and student syndrome (procrastination)
Openness about uncomfortable information: Auditees may present themselves as open and vulnerable in order to positively influence the assessment.	Affect heuristic (sympathy for the auditee influences the internal auditor)

The responses of the internal auditors involved in the study also show that, in their opinion, unconscious deception by auditees, resulting from a lack of overview or a deep-rooted belief in their own stories, occurs more often than conscious distortion of facts. Further analysis also shows that the distinction between conscious and unconscious deception is not so easy to make.

3.2 Deception of internal auditors in long-term projects

The internal auditors involved in the study also reflected on deception that occurs in long-term projects (ESG

or IT). This shows that in projects, the images of the relevant time horizon between the auditee and the internal auditor can differ considerably, which means that the wording of the actual and expected reality can also diverge.

In addition, the results show that an agile working method (frequently used in IT projects, for example) offers opportunities to reduce forms of (self-)deception in long-term projects. If we compare the forms of (self-)deception observed by internal auditors in agile projects with those in classic waterfall projects, other forms of deception emerge:

Strength of Agile projects Biases that are <u>less frequently</u> observed in agile projects than in waterfall projects	**Weaknesses of Agile projects** Biases that are observed <u>more often</u> in agile projects than in waterfall projects
Planning fallacy: the belief among those involved that more is possible than can realistically be expected **Mum effect:** keeping quiet when things are not going well **Anchoring bias:** choosing a fixed reference point for decision-making status **quo bias:** difficulty in actually taking action	**student syndrome:** procrastination (postponing problems until the next sprint) **near completion effect:** this bias becomes more dominant due to the repetitive sprints and short lead times **affect heuristic:** those involved identify more with the project and team **group think:** tendency as a group to agree with each other **sunk cost effect:** the idea that invested resources must be recouped

Misleading by auditors	Key underlying biases
Colorful use of professional terminology: Auditors use subject-specific terminology that can mislead auditees.	**Biases:** authority bias and illusion of control
Timing of information provision, not too early or too late: The work of the internal auditor has a time dimension that allows for influence, such as when sharing audit results.	**Bias:** status quo bias (difficulty in actually taking action as auditees)
Scope and focus of the audit, functional boundary determination: Ignoring relevant information or not fully covering the audit scope can also lead to deception, both consciously and unconsciously.	
Reporting and results as weapons in the battle: The work and message of the internal auditor carry weight, influencing the perception of auditees.	**Biases:** authority bias and mum effect
Framing as a trade-off between effectiveness and integrity: A slight difference in the wording used by the internal auditor when sharing the same information can influence the recipient's interpretation.	

3.3 Misleading by internal auditors

In addition to deception by internal auditors, the extent to which they themselves (consciously or unconsciously) deceive auditees was also investigated. Based on the self-reflections of internal auditors, five (potential) forms of deception emerged, sometimes with specific biases associated with them.

The internal auditors who participated in the study acknowledge that perceptions of reality are strongly influenced by individual experiences, perspectives, and cultural backgrounds. This suggests that it is difficult to establish an objective truth in the complexity of audit practice. This also requires a different role for the internal auditor in daily practice, which is full of facts and fictions, and in the dynamic interaction between the internal auditor and the auditee. How this role can be shaped in practice and how it can be developed is reflected in the conclusions of this study.

4. 1 CONCLUSIONS: PRACTICAL GUIDELINES FOR THE AUDIT PROFESSION

In audit practice, a (seemingly clear) distinction is often made between facts and fictions. Facts are considered to be verifiable truths and fictions as stories that are (still) outside of reality. This distinction seems clear, but this study also shows that in reality, facts and fictions merge and have a complex relationship within organizations. This means that there is not always one truth, but rather multiple truths. The role of the internal auditor should therefore not be to find the truth, but to connect truths. Connecting truths is very important, because it forms the basis for responsible decision-making and risk management within organizations.

In our opinion, the solution lies in targeted communication, mutual understanding, and recognition of the impact of heuristics and biases in

each other's assessments. The idea of truth connection should therefore be considered part of the interaction dynamics between internal auditor and auditee. And in those dynamics, situations of deception and self-deception arise, sometimes consciously and often unconsciously, raising the question of how the internal auditor can respond appropriately.

In order to develop the professional skepticism required for this, we have made a start on a working method for discussing critical professional situations with each other and reflecting on them from our own audit practice. In addition, internal auditors can, of course, also reflect independently on the question of what forms of (self-)deception play a role in daily audit practice and how to act in such situations.

In the research report, we describe four different cases with associated strategies for deception. A link has also been made with biases that may underlie (self-)deception in these cases, supplemented with suggestions for possible courses of action for the internal auditor. This part of the research has been further enriched and refined with input from the workshop at the IIA annual conference.

In conclusion, deception and self-deception play a major role in human interactions, and therefore also in internal audit practice. The discovery of biases as forms of (self-)deception in internal audit practice has led to new tools for identifying and dealing with them productively. The research also shows that internal auditors are less adept at identifying some biases than those directly involved in projects, but are better at identifying other biases.

The internal auditor can use this to their advantage as a truth-teller and engage in dialogue within the organization to show which forms of (self-)deception are at play, but also which contribute to the organization's success or, conversely, cause it harm.

In order to engage in this discussion effectively within the organization, it is essential that the internal auditor develops professional skepticism, whereby case studies of critical professional situations can form a starting point for sharing dilemmas and thinking together about how deception (or lack thereof) can be used "behind the scenes" to achieve the organization's goals.

Dynamics of truth-telling		Internal auditor	
		Reveals	Conceals
Auditee	Conceals	Case study: **Long-term ESG projects** Issue: Does it matter what bias underlies concealment by the auditee? For example: **planning fallacy or self-justification?**	Case: **Disclosure of cyber risks** Issue: Does it matter what bias underlies concealment by the auditor? For example: **illusion of control or mum effect?**
	Discloses	Case: **Sharing painful/personal struggles** Issue: Does it matter what bias underlies the auditor's concealment? For example: **affect heuristic or bias blindness?**	Case study: **Recovery time for organizations in crisis** Issue: Does it matter what bias underlies disclosure by the auditee? For example: **anchoring effect or ostrich effect?**

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Foreword

Finding the truth is part of the essence of the internal auditor's profession. Not only are we required to be independent and objective, but we are also expected to exercise professional care. The new Global Internal Audit Standards (GIAS) also explicitly expect internal auditors to exercise professional skepticism in the assessment and evaluation of information.

Finding the truth is not always easy, especially in this age of far-reaching digitization and AI. What is true and what is not? And is it even possible to make such a black-and-white distinction? And how do you apply professional skepticism?

These are questions that touch on the fundamentals of the profession. For IIA Netherlands and Erasmus University Rotterdam (EUR), they were the reason for conducting research with the aim of 'looking the beast in the mouth'. Following the EUR symposium on June 30, 2023, which marked the end of the academic year for the post-master's programs in Internal Auditing & Advisory and IT Auditing & Advisory, IIA asked the Erasmus School of Accounting & Assurance (ESAA) to investigate this issue further, looking for ways to provide guidance.

Challenging questions in this regard include:

- Internal auditors are there to uncover the truth, but what if that truth cannot be found (or at least not easily)?
- Internal auditors are there to reveal how things really are, but what if it is actually functional to keep up appearances?
- Internal auditors are there to provide certainty to the board and management, but to what extent is that possible in our professional practice?
- Internal auditors help to manage risks, but how should we deal with the omnipresent (conscious and unconscious) deception?
- Internal auditors want to do a 'good job', but what if there is no guidance from fixed standards in a world full of facts, fictions and frames?
- Internal auditors find themselves in critical professional situations involving both disclosure and concealment, but how should they discuss this?

This report seeks answers to these questions and offers internal auditors a mirror for reflection as well as a range of tools.

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Frans Eusman
Chairman IIA Netherlands

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1 Organization & auditor: looking behind the wallpaper?

An organization? Just like wallpaper

"Look," someone we spoke to during the audit of a reorganization that was still in full swing at the time once told us, "an organization is just like wallpaper." "From a distance, it may look neat, but when you get closer, you see the seams and the glue residue. And if you've ever hung wallpaper yourself, you know exactly why nice paintings are hung in those particular spots on the wall."

This metaphor, in which an organization is compared to wallpaper, reflects the often somewhat misleading appearance of organizations on paper and the complex reality that lies behind it. At first glance, they may appear well-organized and structured, but beneath the surface there are often problems, flaws, internal conflicts, and hidden agendas (Morgan, 1986; Moor, 2012).

"On paper, everything may be correct and fully in line with the organizational chart, the formation reports, and the administrative procedures," the person in question continued his reflection on the organization as wallpaper, "but take a look at what lies behind that neat-looking wallpaper." In this way, he wanted to emphasize that organizations often excel at presenting attractive annual reports, performance evaluations, and overview reports, making it seem as if everything complies with formal standards and criteria. The reality, however, can be very different (Weick, 1979; Braun & Kramer, 2015).

Facts and figures in annual reports and other overview reports that show the organization in its full glory do not refute this image, because they too are simply part of the wallpaper (Huf, 1957; Porter, 1995; Denis et al.,

2006). Those involved in and interested in the organization often prove to be extremely adept at covering up issues behind a shiny façade, just as wallpaper in our homes cleverly conceals the imperfections behind it.

Internal auditor: tearing down the wallpaper?

In this study, we focus on the role of the internal auditor: a professional who values truth-finding highly and who has traditionally been expected to use critical investigation to reveal whether the facts really do comply with the standards (Driessen and Molenkamp, 2008; Bos et al., 2012).

What is the task of an internal auditor when an organization can be metaphorically represented as wallpaper? Is it perhaps the intention of the internal auditor to look behind that wallpaper, peel it off, expose the shortcomings, and make it clear to others that the apparent perfection may not be as flawless as it might seem at first glance? And if an auditor were to do so, would that improve the situation?

Wallpaper that is tightly hung creates a feeling of cleanliness, tranquility, and regularity. If there are occasional minor imperfections, this even has a certain charm. The wallpaper acts as a filter that hides distracting details and irregularities from view. Not because they don't exist, but because they would distract our attention if we focused on them too much. The wallpaper on the wall offers us an overall picture in which even the less successful details and imperfections blend into the bigger picture. It is precisely by partially concealing them

from view, the wallpaper fulfills its function.

This raises the question of whether the auditor is there to reveal what is wrong, to tear the wallpaper off the wall and draw attention to shortcomings. Sometimes it is good for the auditor to reveal that it is all a facade and that something completely different is going on behind the wallpaper (Dees, 2011; Swinkels, 2012). But perhaps it is sometimes necessary for the auditor to respect why this covering exists and to see the value of hiding certain less successful elements behind the wall...

An internal auditor is often presented as someone who can reveal the truth to us (Power, 1994); someone who shows us what is hidden 'behind the wallpaper'. An internal auditor is expected not only to pay attention to what is written on paper, but also to determine what is actually happening in the organization (Gleim, 2009). In that sense, auditors have the task of detecting the seams and glue residues, or identifying hidden problems and inefficiencies, and reporting them to the board and management. In fact, an auditor is an official who can 'unmask' what is really going on in the organization.

Internal auditors are also expected to contribute to the transparency and integrity of an organization. However, the role and task of an auditor is quite complex in this regard (Power, 1994; Nuijten, 2012). Internal auditors must strike a balance between maintaining distance and expressing their own independent judgment on the one hand, and collaborating with other 'stakeholders' in the organization to bring about positive change on the other. This can be a delicate balancing act, requiring them to maneuver between 'peeling away' the wallpaper to reveal the truth hidden behind it and at the same time helping to 'put up wallpaper' themselves if this

can contribute to safeguarding and maintaining the organization's reputation (Hood, 2010).

Essentially, the role of an internal auditor is to strengthen the organization's ability to create, protect, and preserve value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and outlook. Fulfilling this role is much more complicated than simply revealing or exposing what is 'true'; it involves promoting positive change and building a stronger and healthier organization (Van Twist et al., 2013; Nuijten et al. 2015). Sometimes, this means leaving the wallpaper in place or even repairing it with the help of the internal auditor... Perhaps the internal auditor sometimes also has a role as a 'wallpaperer' in organizations?

To gain a better understanding of this layered phenomenon and deepen our understanding of it, we will start with a *theoretical exploration*. To this end, we will first draw on academic literature, with particular attention to the concept of 'functional hypocrisy', in order to provide insight into the paradoxical task inherent in the audit profession (Chapter 2). We then take a closer look at the phenomenon that can be described as (self-)deception, in order to gain a conceptual understanding of how the auditor should now relate to what is going on behind the scenes in organizations (Chapter 3). Finally, we discuss heuristics and, as a consequence, biases, because we have subjected the forms in which they occur—particularly in the professional practice of internal auditors—to further investigation (Chapter 4).

The theoretical exploration forms the basis for *empirical deepening* through research into (self-)deception in audit practice. We highlight how internal auditors say they encounter (attempts at) deception

in their own professional practice and explore this further by examining whether this (self-)deception is conscious or unconscious in nature (chapter 5). We establish a closer connection with audit practice by looking specifically at long-term projects in the field of ESG and IT, and the forms of deception that are relevant there (chapter 6). This approach was chosen because it is precisely here that a great deal of complexity and dynamism manifests itself, and the distinction between what is true and what is not—especially with regard to the future—is often difficult to make in this type of project, which can leave plenty of room for bias.

We then look at how internal auditors themselves (consciously or unconsciously) engage in deception in their audit work, according to their own statements, and what dilemmas this raises for the internal auditor. We do this by highlighting the forms that (self-)deception by the auditor takes, with particular attention to framing (Chapter 7). Here, too, we seek to gain a deeper understanding through concrete case studies, namely: the increasing transparency surrounding the auditor's reporting and, in particular, their handling of identified cyber risks (Chapter 8).

We conclude with an explanation of the ***practical impact*** of our findings on the audit profession and formulate conclusions, reflections, and considerations for the further development of the profession. First, we focus on the implications of our research, the core of which is that the role of the internal auditor is evolving from 'truth finder' to 'truth connector' (chapter 9). We then conclude our research report in that light by formulating a professionalization assignment for the internal auditor through mutual discussion of critical professional situations (Chapter 10).
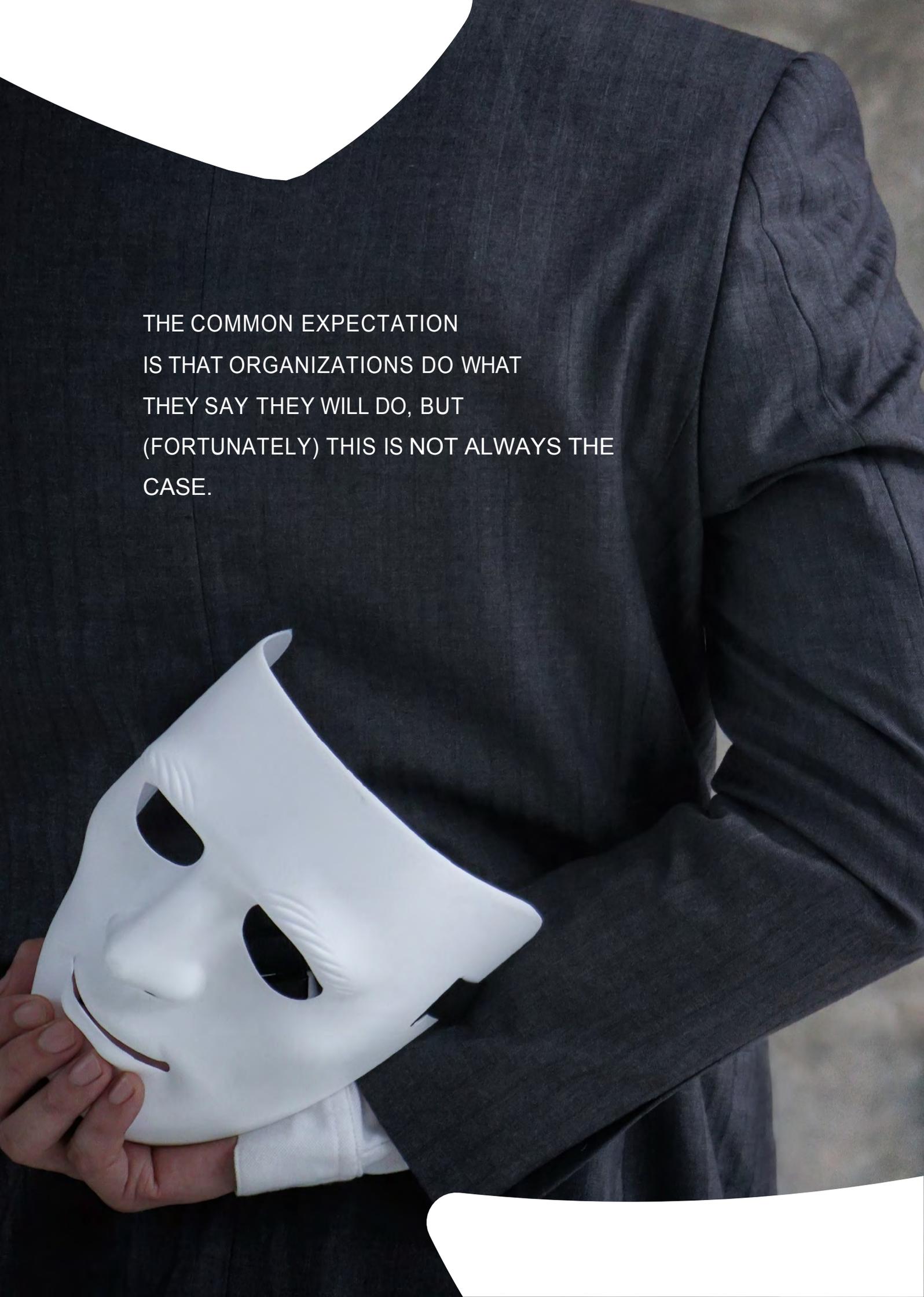
THE COMMON EXPECTATION
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CASE.

2 Functional hypocrisy: (un)masking in audit practice

Hypocrisy in/of organizations?

Functional hypocrisy is a concept introduced by Swedish professor Brunsson (1989). It refers to inconsistencies between what is said (talks & decisions) and what is done (actions) in organizations. The common expectation is that organizations do what they say, but Brunsson (1989, 2002, 2007) argues that this is far from always being the case. Although the phenomenon has mainly been researched in Sweden and the US, some research has also been done in the Netherlands (cf. Aardema 2005).

In his work, Brunsson consistently emphasizes the functional significance of hypocrisy in organizations. Hypocrisy enables organizations to gain legitimacy for actions (or lack thereof) that contradict what is said or decided. This works because organizations are confronted with conflicting demands: they must act predictably but also embrace change, they must act decisively but also ensure support, they must make a profit and take good care of their employees, be innovative and manage risks.

Brunsson (2002) argues that the phenomenon is even inevitable to a certain extent. According to him, it serves to meet conflicting expectations and sometimes even impossible tasks. He notes that talking about something or deciding on something is often effective in achieving what parties in the environment demand, so that further action is not necessarily required or may even be superfluous. Think, for example, of the entrepreneur who expresses his ambition to dominate the market to shareholders.

Hypocrisy therefore offers organizations a way to adapt to complex situations in which they must simultaneously meet divergent expectations, for example from shareholders and environmental groups. And it can serve as a survival strategy in a complex and demanding environment. Brunsson (1989) believes that this way of acting satisfies more parties (at least partially) at the same time, whereas in situations where this inconsistency is not tolerated, such a thing would be impossible.

In general, hypocrisy is associated with sanctimony. After all, hypocrisy concerns the difference between what someone says and does, but Brunsson shows that there is another side to this. Brunsson considers hypocrisy not only as an appropriate way of dealing with conflict, but also as a logical consequence of conflict. He also argues that what is said is not necessarily more important than what is done, or vice versa. Some people may be satisfied with what they hear or read and require no further action, while others demand action and are not satisfied with "empty words." Hypocrisy can therefore serve to satisfy people with divergent desires simultaneously, even in situations where there is a contradiction between what is said, decided, and done.

Brunsson (1989) notes that hypocrisy is not necessarily used consciously. For example, organizations may formulate goals that are currently beyond their reach or that they only want to pursue seriously in the distant future ("moonshots"). Such goals can help to meet expectations, but are at the same time manifestations of organized hypocrisy because an inevitable discrepancy arises between what is said and what is done.

Functional hypocrisy: risks and reasons

Essentially, hypocrisy in organizations stems from the complex dynamics of conflicts, values, norms, and expectations that exist within organizations. It can occur as a strategy to balance conflicting interests and as a way to meet the expectations of different stakeholders without taking the effective action they initially seemed to demand (cf. Brunsson, 1989; Aardema 2005).

Factors that promote hypocrisy in organizations are (Brunsson, 1989, 2002, 2007):

- **Normative pressure**: When organizations are expected to respond quickly to incidents or current issues, this can lead to symbolic responses that lack the necessary resources or commitment from management. This leads to a gap between what is said, decided, and done.
- **Sense of urgency:** Organizations may respond to external pressure by promising rapid and radical change. However, these proposed changes may be disconnected from actual actions. They should then be considered symbolic.
A disconnect between formal decisions and underlying practices can promote hypocrisy.
- **External threat:** Unforeseen external circumstances can raise difficult issues. In cases where a threat arises, this can result in symbolic statements and decisions without follow-up action.
- **Conflicting values:** Hypocrisy can arise when a particular value becomes central to the organization while other values that also play a role in the organization are neglected.
- **Time pressure:** Organizations are confronted with rapidly changing demands, sometimes even faster than they can actually respond to them.

This can result in actions that are unrelated to formal decisions and outdated when it comes to management statements.

- **Unrealistic expectations:** The difference between what is considered a good idea and what is actually achievable in practice can also cause hypocrisy. It often turns out that different standards apply to how we talk about and decide on something and what can actually be done about it in concrete terms.
- **Scarce resources:** Talk is cheap. It is often less costly to talk about good intentions than to translate them into action. Scarce resources, but also limited knowledge or lack of time, can lead organizations to make decisions that are not in line with subsequent actions.

Of course, hypocrisy can be dysfunctional in the context of organizations. Organizations are expected to be consistent in what they say (talk), what they decide (decision), and what they do (action). Deviating from this norm invites criticism and disapproval. It can even discredit the organization. There is a risk that hypocrisy will be discovered and punished. On the other hand, hypocrisy in organizations can also be very functional (see Brunsson, 1989, 2002, 2007).

For example, hypocrisy can be a solution to inconsistency within an organization. It is functional when organizations are confronted with conflicting expectations and normative pressure. It helps organizations deal with these inconsistencies and can thus serve as a survival mechanism. It can also ensure that complex issues are addressed appropriately. By decoupling what organizations say, decide, and do, organizations are able to tackle complex issues that would otherwise cause an impasse due to conflicting expectations. This gives organizations

the (moral) flexibility to act effectively.

In addition, hypocrisy can offer opportunities for conflict management. Conflicts can sometimes be resolved by talking and deciding differently than acting, for example: talking big but not acting big, or vice versa. This can be easier and more cost-effective than actually taking action. Effective leadership sometimes requires hypocrisy as a means of balancing conflicting values and thus achieving common goals.

Hypocrisy can also be useful in organizations that need to implement reforms or reorganizations. It allows them to continue to think in terms of contradictions, even if action-oriented reforms fail. Maintaining the ability to exploit contradictions for support in the form of legitimacy and resources can be an advantage. It can accommodate stratification in organizations. Organizations often have different levels with different requirements. What happens on the work floor does not necessarily have to be in line with what is said and decided at the management level. Hypocrisy can help layers in an organization, each with their own characteristics and decision-making logic, to coexist without things getting out of hand and allowing separate worlds to retain their value.

In short, the conclusion is that hypocrisy is generally seen as a negative trait ("hypocrisy"), but that under certain conditions and in certain circumstances it can also be functional and even necessary. Especially when organizations are faced with conflicting demands in their environment, it ensures that things are brought together that would otherwise be irreconcilable.

Taking risks and striving for openness: inevitable tension

It is by no means unusual for organizations to face normative pressure, a sense of urgency, external threats, conflicting values, time constraints, and unrealistic expectations combined with a scarcity of resources. It is not surprising that hypocrisy may arise at some point. In addition, in such complex situations, organizations often face the need to take risks (Taleb, 2013/2016). An important question is how open an organization (and within it: the board and internal oversight) can and should be about this. Should considerations about taking and materializing risks be kept behind closed doors or, on the contrary, be brought out into the open?

Avoiding risks may offer a sense of security in the short term, but in the long term it can block the path to innovation and success (Taleb, 2013/2016). Making a difference requires courage, which means that directors must be prepared to embrace risks, even if that means that things can sometimes go wrong (Weggeman, 2003; Dreu, 2005). Internal auditors cannot and will not deny this, even though there is considerable pressure in this profession to be cautious. The risk appetite here is generally lower than in the rest of the organization.

However, a crucial question arises: to what extent should an organization (or more specifically: the board and management, with associated internal control mechanisms, or in the language of the auditor: the first, second, and third lines) be open about internal struggles and the personal role in overcoming (or not overcoming) challenges? This leads to complex considerations and paradoxical observations. The tension between showing vulnerability and maintaining a good reputation is palpable. There is a delicate balance between transparency and (maintaining) trust

there is a delicate balance (Etzioni, 2014; Cucciniello et al., 2016).

Take, for example, a director who enters into a merger that ultimately fails, a manager who implements cost-cutting measures and encounters resistance, or a project leader of a new construction project whose costs turn out to be significantly higher than expected. Or take, for example, the director of an organization who sponsors innovation—and may subsequently be accused of being a "dreamer"; seeks cooperation with another party—and then becomes (too) dependent; wants to keep a problem small—but is subsequently accused of covering it up.

Such risks, which are inherent in organizations that have to operate in complex circumstances, make the work challenging and exciting. At the same time, these risks also mean that there is a chance that things will go wrong for the organization, even if the work remains within the established rules. Dilemmas that already arise here are intensified when considering openness after problems have occurred. In other words: showing what is going on behind the scenes.

It is not our intention to excuse failure, but neither is it constructive to condemn directors and managers on the basis of information available after the fact (Hood, 2007). This hindsight bias, where everything seems simple in retrospect, creates an unfair playing field for managers who have to make difficult decisions in an uncertain future (Verweij & Thompson, 2006). Risks are inherent in the pursuit of progress and innovation, and avoiding them can lead to stagnation within an organization. Recognizing that not all risky business activities will be successful, and that this is not necessarily a sign of failure, is crucial for a healthy management culture. The ability to admit mistakes and take responsibility, even when it is uncomfortable

, contributes to building and maintaining trust among stakeholders (Hood, 2007). It is not just about avoiding risks, but also about managing them and learning from failures.

Governing and managing organizations repeatedly proves to be a complex balancing act between taking risks and providing the necessary transparency about them. Everything that provokes functional hypocrisy seems to be at play here: normative pressure, external circumstances, a sense of urgency, temporal constraints, conflicting values, tension between ideology and practice, scarce resources. In that light, avoiding risks should not be the norm. Taking risks is more logical, but with attention to their vulnerability when disclosed. This requires recognizing and acknowledging the complexity of governance and management, and avoiding facile judgments after the fact.

Internal control: invisibility as strength & vulnerability

Identifying and addressing, but also limiting and controlling risks and uncertainties is essential in organizations (Hood & Jackson, 1991; Hundman, 2010). Very often, it is precisely this combination that calls for caution when it comes to openness about what is going on in organizations. Much takes place behind the scenes, out of sight of the angry outside world that could exploit insight into the vulnerabilities at play (Hood, 2010).

At the same time, in the public sector, for example, there is an Open Government Act (Woo) that requires the disclosure of information about risks to a greater extent than before. And in the private sector, there is the Declaration on Risk Management (VOR), included in the new Corporate Governance Code, which obliges companies to include information about their internal risk management and control systems in their management reports.

The irony of all this is that internal control and good risk management (by second and third lines, including the internal auditor) work best when they are not or hardly visible to the outside world. Outwardly, calm must be projected; the façade must be maintained (Mangham & Overington, 1987). It is precisely success that contributes to internal control fading into the background, almost completely hidden from view. At least three paradoxes come into play here (cf. Van Twist et al., 2013):

🌐 The first paradox is that, in our time, good internal control by the second and third lines is mainly a matter of 'hearsay' for the public, often invisible and a matter of good faith. People who only see the wallpaper notice little of it and know virtually nothing about it. People who deal with the production and services of organizations rarely have direct experience with the underlying internal control and supervision. A sign of success is precisely that it remains inconspicuous in the background, and this creates a paradox: the quality of production and service provision is delivered, but the efforts required for this from internal control remain unseen.

🌐 The second paradox occurs when that invisibility of internal control suddenly ends: when the work of the controller, the internal auditor (or the supervisory board by extension) suddenly does appear in public, it quickly becomes an image in which 'shortcomings' take center stage. Normal business practices and soundness are taken for granted. When actors who are part of internal control suddenly come to the fore, this arouses suspicion. The paradoxical consequence is that when internal control appears in public, it is often automatically associated with failure. Once internal control

once it emerges from behind the scenes, the image is rarely positive...

🌐 A third paradox of internal control arises when incidents occur, i.e., when risks manifest themselves and circumstances get out of hand. Opting for disclosure and transparency then seems vulnerable, but trying to avoid this just as quickly arouses suspicion. If an internal supervisor (e.g., a member of the Supervisory Board) chooses not to go public immediately after an incident, this can be interpreted as a lack of critical distance or judgment. Even when an internal supervisor later reports that the situation is under control, reassuring messages can arouse mistrust. Why was this not known and made public earlier? At a time when moralizing perspectives are quickly adopted, it can be seen as a lack of critical thinking or even a lack of moral compass.

These paradoxes of internal control raise questions about how transparency and openness can be balanced in the working practices of the internal auditor, while maintaining trust where possible. Finding the right balance between transparency, public perception, and effective internal oversight is an ongoing challenge at a time when moral compasses are quickly applied and public judgment can be merciless (Hood, 2010; Power, Kampen, 2011).

Audit paradox: it works (best) when you don't notice it

Internal auditors also face paradoxes when it comes to their own role in relation to achieving sufficient visibility. Auditing is intended to help manage dangers and risks and to help prevent things from getting out of hand

getting out of hand—by providing the necessary assurance (initially internally). Precisely because of this, the contribution of the internal auditor themselves usually goes unnoticed by outsiders (Arif & Molenkamp, 2011).

The products we consume, the services provided by schools and hospitals, or the financial management of banks are all in order because they themselves (or the internal control systems set up for this purpose) are critically monitored by the first and second lines, but also by the internal auditor as the third line within the organization. Given their role, the efforts of this professional group logically remain largely hidden from people outside the organization. The efforts to help ensure quality and safety remain hidden, and it is precisely this invisibility that usually characterizes the success of the auditor (cf. Baaijens et al. 2007).

This seems like a rewarding role, especially when everything is going well, and the internal auditor acts as a critical watchdog who helps to ensure that everything runs smoothly in the background (i.e., behind the shiny façade). But internally, at least, it can sometimes be a vulnerable position, because there is always the threat of accusations of annoying bureaucracy, excessive regulation, and formalism that hinders decisive action. Not only when things are going well, but also when things unexpectedly go wrong in the organization, the role of the auditor is always vulnerable to criticism (Van Twist et al., 2013). Suddenly, all kinds of questions arise: Why was this not prevented? Where was the internal auditor? Did the countervailing power that he or she is supposed to offer to the first and second lines, and to the board, fail here?

Perhaps the greatest paradox in the work of the internal auditor lies in the fact that the task of monitoring the soundness of the organization can be accompanied by

research intended to identify potential risks and errors in a timely manner. The paradoxical effect of such revelations can be that the intention to strengthen confidence in the organization achieves exactly the opposite (Hood, 2009; Power, 1994). When an internal auditor reports that 'something is wrong in some areas', this at least raises the suspicion that things may also be wrong in other areas. If it becomes clear that the internal auditor has identified (serious) shortcomings in some areas of the organization, this may raise concerns about what is happening in the rest of the organization, especially if such information is unexpectedly made public. In this context, think back to the comments made earlier about the functioning of the Open Government Act (Woo) in the public sector and the Risk Management Statement (VOR) in the private sector.

The irony is that critical control and countervailing power, which are intended to strengthen the organization's control and ultimately confidence in the organization, can actually generate mistrust by revealing just a little too much about what is going on behind the scenes. In a society where a shared reality is increasingly lacking and where mistrust of one another is constantly lurking, the internal auditor may also become the target of doubt and conflict (Van Twist, 2024). As if the internal auditor is there (only/merely) to help hang wallpaper or repair cracks where they appear... It is a paradox that makes the role of the internal auditor complex and challenging in a world where transparency does not always lead to understanding and trust, but sometimes also to suspicion and discontent. This raises the pressing question of what scope there is for (self-)deception in this particular field (where, after all, truth-finding is a core element). It raises questions for the internal auditor to reflect on.

Reflection questions: professionalism of the internal auditor (1)

Our considerations so far raise various (reflection) questions for auditors:

- Is it the internal auditor's job to reveal what is actually happening in the organization?

- How should the internal auditor deal with the tense balance between what is said in an organization and what is done?

- To what extent should the internal auditor help to maintain appearances to the outside world if this helps the organization?

- Under what circumstances can and should the internal auditor accept that there is functional hypocrisy in the organization?

- Should an internal auditor take into account the risk of disclosure when reporting, and thus possibly contribute to hypocrisy within the organization?

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3 Judgment in the context of (self-)deception

Deception: what are we talking about?

We understand deception to be a conscious or unconscious attempt, without prior warning, to leave someone else with an impression that does not entirely (or even at all) correspond to the truth (cf. Van der Zee, 2020).

An important aspect of this description is that the attempt does not necessarily have to be successful in order to be considered deception. The fact that there must be no prior warning means that sarcasm or humor do not have to be taken into account, as the context makes it clear that a statement is not meant seriously. By referring not only to conscious but also to unconscious attempts, we give the concept of deception a broader meaning than terms such as lying and cheating or swindling and falsifying. These terms only apply in cases of malicious intent, when the goal is also to do something unfair or mean (Van der Zee, 2020).

In our description, deception can also occur when unconscious use is made of 'shortcuts' in thinking and speaking, as a result of which information is, for example, only selectively or selectively disclosed. Lying only occurs when, at the moment of deception, the person knows that information is being concealed or distorted. Deception is broader in our understanding: it also includes statements made by someone who believes what they are saying, even if, in the eyes of the recipient, this does not correspond at all with the truth.

Deception can arise from the (conscious or unconscious) expression of factual inaccuracies (fabrication

), but also through exaggeration, minimization, or the withholding of relevant information (concealment/omission). As a result, someone can engage in deception without explicitly stating untruths (cf. Van der Zee, 2020).

Although this description is intended to define what is and is not considered deception, in practice the distinction is not black and white. People are not always aware of the deception they engage in, or they may not consider their own statements to be deception, which does not make researching this topic any easier. Sunstein (2015) therefore refers to this in a fascinating publication as 'fifty shades'.

Fifty shades of gray

Deception occurs when a statement or action does not sufficiently appeal to individuals' ability to be reflective and make informed choices through deliberation (Sunstein, 2015). Deception manifests itself when attempts are made to subtly influence individuals' choices without sufficient appeal to reflection and mutual deliberation.

Uncovering deception is a complex challenge because of the many forms it can take and the varying degrees of seriousness involved. In a context where free choice and room for personal consideration are given a lot of weight, it is difficult to regulate deception. However, when the motives of the deceiver are selfish and attempts to circumvent reflective capacities become more successful, the burdens of deception can become so severe that disclosure and intervention become inevitable (Sunstein, 2015).

burden of this can become so great that disclosure and intervention become inevitable (Sunstein, 2015).

Deception is actually always present in some way in our daily lives. This can be a sales pitch when buying a car or an educational exaggeration when crossing the road. This is also an issue in the auditor's field of work: identified risks can be downplayed or exaggerated, and mistakes can be exaggerated or covered up.

Deception comes in various degrees, ranging from modest and relatively harmless forms, such as linking a product to suggestive associations in an advertisement, to much more drastic forms, such as spreading disinformation in times of war (Sunstein, 2015). Associations play a crucial role in deception: options are presented in such a way that certain outcomes appear attractive and others unattractive.

The core problem with deception is that it can compromise people's freedom of choice. This can evoke a feeling of betrayal afterwards. The deceptive manipulator tempts someone to make a choice without adequately weighing the pros and cons. This leads to moral objections, especially because it creates the impression that the person in question is unable to judge, weigh, and choose independently.

This is where the well-known distinction between two thinking systems (Kahneman, 2011) comes in: system 1, which operates quickly and impulsively, and system 2, which is reflective and deliberate. Deception often targets system 1, which is easily influenced, while system 2 is undermined or insufficiently involved in deception. Subliminal advertising, for example, operates outside a person's conscious awareness, attempting to bypass their ability to make well-considered decisions (in consultation)

and to influence decision-making without the knowledge of the people involved.

Some see deception as a lack of transparency because important information is concealed. It is important to note that not all deception is opaque or hidden. In fact, sometimes deception is completely transparent. Think of the colors of a traffic light system that the auditor uses for risk assessment, which completely obscures the underlying complexity and nuance. Deception is not always a matter of hidden characteristics; it can also involve consciously influencing choices without complete openness—something that is often unavoidable.

Deception appears to be a ubiquitous phenomenon in human life, from the presentation of odds in a lottery and sales strategies for insurance to the framing in the auditor's report (Sunstein, 2015). It should be noted that not all forms of deception are necessarily negative. Deception may even be intended to improve people's lives, for example by discouraging certain behavior for public health reasons or by sharply highlighting certain risks in order to prevent ill-considered administrative action.

All in all, this illustrates the versatility of misdirection in practice. It raises questions about its practical, professional, and principled aspects, and in any case underscores the need for critical reflection on the impact of deception in various contexts. This also applies to the auditor, who is partly there to uncover deception (by others) but sometimes also engages in deception (of others and also of themselves).

Search engine for case studies – digitization brings risks

In the early days of the internet, there was a lot of enthusiasm about the possibilities that digital platforms would offer for free speech and meaningful discussions. Initiatives such as Wikipedia made information freely accessible and available to everyone. Through blogs, every critical citizen could be both a journalist and an activist. There was hope that a level playing field would finally emerge where marginalized voices and small citizen initiatives would have the same opportunities as elites, established parties, and large commercial interests. The internet was seen as a force that would inherently democratize, promote equality, and liberate.

Now, however, the view is somewhat different (Van Doorn et al., 2021). All too often, expertise, truth, and reason seem to lose out on digital platforms. Democracies worldwide are under pressure from the spread of fake news, alternative facts, targeted political advertising, and other problems associated with post-truth. In recent years, we have been repeatedly warned about filter bubbles and echo chambers, whereby personalized news reports, search results, timelines, and feeds are often associated with the fear of limited perspectives and increasing polarization.

Digitization comes with risks. The space for spreading disinformation is growing, which can undermine truth-finding and lead to the disintegration and breakdown of shared perceptions that are essential for truth-finding. In addition, abuse of power can make it difficult to challenge the claims of those in power.
Digital technologies enable people and organizations to manipulate, conceal, disseminate, and even fabricate information in ways that were previously unthinkable. This has led to what is sometimes called "information warfare," in which the truth is distorted and manipulated to achieve political, military, or ideological goals. In conflict situations, information is often used as a weapon. It can be deployed to mislead the enemy, to sow confusion, or to influence the morale and psychological state of both one's own troops and the opponent. The dissemination of disinformation and propaganda has become a ubiquitous strategy in modern conflicts. This can range from spreading fake news to manipulating images and creating false narratives to influence public opinion.

An important aspect of this new reality is that being honest and transparent in such situations can be detrimental. Openness makes one vulnerable, especially since one cannot assume that the outside world always has good intentions and shared interests. If one party in a conflict is open and honest, this can enable the opponent to adapt their strategies and even exploit this.

Is the role of the auditor changing as information increasingly becomes a weapon in the battle with the enemy and the opposing party does not hesitate to exploit information about organizational vulnerabilities?

Self-deception: fooling yourself (too)

Deception can be conscious or unconscious and can be directed at others, but it can also be directed at oneself. In the latter case, it is called self-deception. Self-deception is a complex phenomenon that lies deep in our subconscious and is difficult to investigate (Trivers, 2014). It can influence our behavior and is sometimes imposed by others. Although self-deception is often seen as a defensive mechanism to avoid reality and make us feel better, there are situations in which it does indeed provide us with direct benefits, such as the placebo effect.

It sounds rather paradoxical: how can the self deceive itself? Surely the self knows how things stand with itself. That is precisely the difference between the self and the other. The issue here, however, is that there is a difference between the conscious and unconscious self. Self-deception often takes shape because the conscious self is kept in the dark about what the unconscious self knows. At the same time, the conscious self can also be involved in self-deception, for example by avoiding certain experiences that could be revealing or by suppressing memories. In that sense, self-deception arises from a complex interaction between the conscious and unconscious self.

In this sense, self-deception can be described as the conscious exclusion of true information, which is stored in varying degrees of unconsciousness (Trivers, 2014). Normally, one would expect true information to be stored in the conscious mind and false information to be hidden somewhere deep within. But the reality is more complicated. The paradox is that false information nestles in the conscious mind.

Trivers' hypothesis is that this seemingly counterintuitive arrangement has evolved to manipulate others. By hiding reality from ourselves, we can also hide it more effectively from others. After all, we believe it ourselves. This insight sheds light on the role of self-deception in social interactions and how it can be used to manipulate others. It emphasizes the evolutionary advantages that self-deception can offer.

The complexity of self-deception is that it makes deception by others more difficult to detect, especially in situations where interactions are stressful or complicated. Think of the nervousness people often feel when they lie and cheat because of the fear of negative consequences, such as confrontations and feelings of guilt. To avoid such nervousness, people try to control their behavior. When they become aware of this, it can lead to observable effects such as exaggerated or evasive behavior or a higher-pitched voice. Lying and cheating also require considerable cognitive effort: suppressing the truth, constructing a convincing false story, and remembering it. This requires time and concentration, which can cause reduced performance in other simultaneous tasks. It therefore offers a major evolutionary advantage if you can also deceive yourself (cf. Trivers, 2014).

In practice, self-deception can take the form of self-inflation, for example. This occurs when people tend to present themselves as better than they really are. This can manifest itself in subtle linguistic characteristics, such as choosing the active form to describe success and the passive form to attribute failure. Another form of self-deception is belittling others. This means that people try to belittle others in order to present themselves in a better light. This happens, for example, when our own self-image is damaged and we try to shift the focus to

others to make ourselves look more favorable. Linked to self-inflation and belittling others is the development of 'in-group' and 'out-group' feelings, sometimes even based on very small differences, such as the function they perform in the organization: I am part of the business, you are not. These associations can lead to more negative assessments of individuals outside the in-group, such as the auditor.

One factor that contributes greatly to self-deception is power. Power evokes a tendency to focus people's attention on oneself and make them less aware of others. This can lead to behavior that is considered corrupt. Related to this is the idea of moral superiority. People tend to judge others more harshly than themselves, especially when it comes to moral beliefs. It is difficult to view one's own behavior impartially. This also contributes to self-deception.

These forms of self-deception reflect the complexity of the human mind and how we often deceive ourselves in order to give others a certain impression and thus serve our own interests. They are often created and reinforced through the stories we tell each other. People create stories that cast themselves in a favorable light and others in a less favorable one. This can lead to distorted memories of moral actions and a selective focus on certain events.

Mechanisms behind self-deception

How is (self-)deception set in motion? According to Trivers (2014), to gain a better understanding of this, we need to follow the flow of information from the moment it arrives to the moment it is presented to others. At each stage of conversion, the mind is at work to distort the flow of information in favor of our usual goal: to look better than we really are, especially for the benefit of others.

- **Selective perception:** People tend to pay selective attention to information, preferring what confirms their existing beliefs and ignoring what does not. Self-deception is a mechanism that people use to maintain and project a positive self-image. In situations where we can choose what to focus on, we tend to select information that confirms our positive beliefs, while avoiding negative information (Bateson, 1972; Weick, 1995). This bias plays a role in all aspects of daily life and can also be observed in the interaction between auditor and auditee. Incidentally, people who feel more confident about themselves are more likely to be willing to accept negative information.

- **Selective interpretation:** People tend to interpret the information they receive in a specific way. This bias in attention seems to be oriented towards a form of meaning that is beneficial to ourselves, increasing our self-esteem and/or our ability to mislead others. This phenomenon also plays a role in the interaction between auditor and auditee and can lead to further confirmation of existing beliefs.

🌿 **Selective memory:** People tend to distort their memory in a way that they expect will work to their advantage. They often remember positive information about themselves and forget the negative information. These memory biases occur because people mainly remember what reinforces their self-image and self-esteem. These memory distortions also play a role in the interaction between auditor and auditee, where both are motivated to maintain their own self-image and avoid in-depth discussions about mistakes and what is going wrong.

🌿 **Selective reconstruction (rationalization):** People tend to reconstruct internal motives and stories to rationalize questionable behavior. They may attribute their behavior to external circumstances in order to defend themselves. These rationalizations serve to justify deception and self-deception. This can be rationalized based on the belief that it is not bad, or was unintentional, or stems from a lack of other options.

🌿 **Denial and projection:** These are psychological processes that change reality and create a new reality. Denial involves removing or ignoring reality, while projection means creating a new reality in which others are held responsible for something that is actually the responsibility of the individual. These processes can have far-reaching consequences. The risk here is that the auditee denies their own responsibility and lacks the ability to critically examine their own actions.

🌿 **Cognitive dissonance and self-justification:** People feel uncomfortable or anxious when they experience conflicting cognitions, ideas, or beliefs and then try to take action to reduce the dissonance. This action may consist of abandoning one of the conflicting beliefs or rationalizing it to reduce the tension. People often tend toward the latter option, creating self-justification to resolve their inconsistencies. This can also play a role in the interaction between the auditee and the auditor.

Reflection questions: professionalism of the internal auditor (2)

This consideration also raises several questions for internal auditors:

🌿 Is it acceptable for an internal auditor to convey his or her message in an exaggerated or understated manner if this is more convincing and has greater impact?

🌿 Can the internal auditor paint a picture of the future that (by definition) ignores what past observations show?

🌿 To what extent should an internal auditor allow his or her personal involvement or emotions to influence an audit?

🌿 Should an internal auditor address self-deception on the part of an auditee, even if this makes them more assertive, convincing, and impactful in their role?

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INFORMATION.

FAKE

FACT

4 Deception in the professional practice of the auditor

Auditors: professional judgment as a profession

Auditors are professionals who are responsible for carrying out assessments: they must determine whether there are risks in the organization and whether these are adequately controlled – and report this to the organization's management (repairing the wallpaper) and, if necessary, also to stakeholders outside the organization (removing the wallpaper).

The particular expertise of auditors lies in evaluating data according to established standards and making a judgment after confronting factual information (Driessen and Molenkamp, 2008; Bos et al. 2017). A judgment requires the integration of various sources of information and their comparison with a standard in order to arrive at an overall assessment. Judgments are not exact calculations and do not follow strict rules (Nuijten, 2012).

The quality of such judgments is determined by the thought process by which they are formed. It is remarkable that people who make judgments often act as if there is a real value, even if this is not the case. They behave as if there is an invisible standard that they are trying to achieve. When making assessments, they make personal considerations, suggesting that differences of opinion may arise, but that these will remain limited (Huf, 1957; Porter, 1995; Denis et al., 2006).

Bounded rationality

For a long time, rational choice theory was central to thinking about decision-making, whereby each option is carefully analyzed before a well-considered decision can be made. Because such a decision is a time-consuming and complex matter, people develop strategies that simplify their decision-making process (Kahneman, 2011).

A well-known strategy is that of 'bounded rationality': decisions are made on the basis of available information within the limits of our cognitive capacities. This is in line with Simon's (1955) satisficing rule, which implies choosing the first alternative that is 'good enough'. Overloaded with more information than they can process, people tend to rely on simple rules or heuristics to reduce their mental load.

Judgment is often accompanied by uncertainty, especially when assessing risks, such as evaluating a merger, a reorganization, a business case, or a project plan. Academic research has long attempted to objectify these opportunities, but individual assessments often prove to be far from perfect. Emotions, which are often ignored in traditional models, also play an important role in judgment. Rationality and emotions are not opposites, but are inextricably linked when it comes to important decisions.

In short, human judgment (including that of auditors) involves a complex interplay in which rational considerations, quick assessments, and deep-rooted emotions are intertwined in a process in which (self) deception is constantly lurking.

Construal level theory

Construal level theory, also known as "perceptual distortion theory," is a psychological concept that focuses on how individuals interpret and understand the world around them (Kahneman & Tversky, 1979). It examines how people construct the meaning of events and situations based on their own cognitive filters and interpretations.

The core of construal level theory lies in the idea that individuals are not simply objective observers of their environment, but rather active participants who assign meaning to the events around them. This attribution of meaning is influenced by various factors, including personal experiences, culture, social context, and individual goals and motives (Kahneman & Tversky, 1979).

Construal level theory can be nicely illustrated using a vacation scenario. Suppose a vacation to Japan is scheduled to start the day after tomorrow. The construal of this upcoming trip will likely focus on practical details, such as packing and last-minute preparations. The interpretation of the vacation will mainly focus on the immediate experiences and activities that lie ahead. If the same trip to Japan were to start in a year's time, the construal of the vacation would probably be very different. With more time until the actual trip, the focus shifts to accommodations, travel routes, and cultural customs. The interpretation of the vacation will likely focus more on a well-thought-out travel plan and creating conditions for wonderful experiences in the future.

Construal level theory states that the same event, namely a vacation to Japan, can be interpreted in very different ways based on the time horizon. This variation in construals based on the time horizon has implications for how people make decisions, shape their expectations, and prepare themselves emotionally for future events. It also emphasizes that the context of time plays an important role in the subjective interpretation of events and experiences.

Construal level theory emphasizes that our perceptions of the world depend not only on the objective properties of the stimuli, but also on the subjective way in which we interpret and give meaning to those stimuli. This theory has implications for various aspects of human behavior, including communication, interpersonal relationships, and decision-making (Kahneman & Tversky, 1979).

Understanding construals can, for example, help explain why people interpret the same information differently or why misunderstandings can arise in communication. This also plays a role in the interaction between auditor and auditee in the assessment of events and situations (Nuijten, 2012), and can therefore be a source of deception.

Heuristics and biases

Professional judgment always requires a certain degree of estimation because it is often accompanied by uncertainties. In this context, a heuristic is a concept that refers to the shortcuts our brains use to make decisions. Kahneman (2011) describes them as mechanisms intended to conserve the mental energy of our conscious brain. We also refer to these shortcuts as gut feelings, common sense, or intuition. Heuristics are developed by looking at available information and linking it to previous experiences with similar problems.

A common heuristic is the trial-and-error heuristic, in which problems are solved based on experience rather than theory. Another example is the availability heuristic, which relies on information that quickly comes to mind when forming judgments. The problem with this is that we tend to overestimate the likelihood of similar events occurring in the future because we place more value on information that is readily available.

Kahneman's (2011) discovery of the inherent fallibility of heuristics marks a paradigm shift in academia. The realization that these mental shortcuts sometimes also lead to errors and biases forces us to take a critical look at our thinking. Various factors contribute to the creation of biases. For example, the need to filter out the daily flow of information results in biases to mark relevant information. Excessive information leads to the priming effect, whereby focused attention neglects other information. Negative characteristics in others are more noticeable than in ourselves, and memories of events are edited to confirm our thinking patterns.

Acting quickly sometimes requires making decisions without having all the information (Kahneman, 2011). This is where overconfidence and risk-averse behavior come into play as biases. The preference for immediate benefits over future rewards, as well as the tendency to hold on to existing investments, reveals the complexity of human behavior under time pressure. The challenge of dealing with an abundance of information stems from our ability to make generalizations and ignore details. We often remember the first and the last, while the middle becomes blurred; again, a bias. Our brain also restructures events to maintain coherence, which can distort history.

A bias can be broadly defined as a recurring pattern in which the average judgment deviates from the 'actual' value (Kahneman, 2011). However, this description is difficult to apply in the professional practice of the auditor because it often concerns judgments that are not easily verifiable, for example, when they relate to a future that has yet to unfold (think of the chance that a company will go bankrupt).

Search location for case studies - Greenwashing: between green words and dirty deeds?

Greenwashing is a term that has been cropping up more and more frequently in recent years in discussions about sustainability and ethics in business (see Mertens, 2023). It refers to the phenomenon whereby companies present themselves as environmentally friendly and sustainable, while their actual efforts in this area fall short. This practice is harmful not only to the environment, but also to consumers, suppliers, customers, investors, employees, regulators, and governments seeking honest information about sustainability.

The literature identifies seven cardinal sins of greenwashing to shed light on the ways in which companies maintain the appearance of sustainability (Mertens, 2023):

- Hidden trade-off: This is when a product is labeled as environmentally friendly based on only one characteristic, while other aspects of the product are not sustainable. For example, a product may be promoted as "energy efficient," but other environmental impact factors are ignored.

- Failure to provide evidence: Companies make environmentally friendly claims without providing any evidence. This lack of transparency makes it difficult for consumers to assess whether the claims are justified.

- Remaining vague: Some companies use broad and poorly defined concepts such as "natural" or "green." This vagueness makes it difficult for consumers to assess the actual sustainability of a product.

- Making irrelevant claims: A company may make a correct claim about a product feature, but this feature is not relevant to environmental issues. This can lead to misleading marketing.

- Choosing between two evils: In this case, a company claims to be the most environmentally friendly producer of a product that is inherently very polluting. This is a form of relativization to maintain the appearance of sustainability.

- Offering false labels: Companies sometimes claim that their products are certified by a third party or label that does not actually exist. This is a blatant form of deception.

- Lying: In some cases, companies deliberately provide false information to support their sustainability claims. This is a serious form of greenwashing.

Fortunately, external pressure on companies to make real changes is growing. Governments, investors, and consumers are placing increasingly high demands on the social and ecological footprint of organizations. The realization that companies have more than just financial responsibilities has led to a growing awareness of the need for sustainable practices.

The internal auditor also has an important role to play in preventing greenwashing. At the same time, the question arises as to how deception surrounding these types of projects can actually take shape. What is it that creates and maintains room for (self-)deception in this regard in the interaction between the auditee and the auditor?

Greenwashing is often seen as deliberate deception by companies. In some cases, however, it can also stem from clumsiness or limitations in obtaining the right data to assess a company's actual performance.

In response to growing external pressure, more and more companies are setting ambitious climate and sustainability goals. They promise to become 'climate neutral', 'circular' or 'inclusive' by 2050 and report on this. This is a positive development, but unfortunately, reality often lags behind the promises. This raises the question of how we can determine which companies are genuinely striving for sustainability and which are presenting themselves in a more favorable light than is justified. This presents us with a complex task: How can greenwashing be detected and prevented?

Greenwashing and the desire to expose it is also linked to framing and what has previously been described as construal level theory. As an auditee and auditor, how do you deal with short-term versus long-term expectations in your interactions? The claim that you will be cleaner by 2030. Is that misleading or just an ambitious goal and therefore not yet achievable?

When an auditor audits SDG ambitions with a view to the short term, construal level theory may suggest that the focus should be on immediate actions and measurable results. For example, if a company indicates that it plans to reduce CO_2 emissions by a certain percentage within the coming year, the auditor will likely look specifically at the plans, policies, and measurable goals aimed at achieving this short-term ambition. The construal of the sustainability initiative is influenced by the proximity of the time frame, which may lead to a more detailed evaluation of immediate steps and performance.

On the other hand, when the auditee states that it is engaged in long-term SDG ambitions, the construal may be very different and focus more on strategic planning, long-term visions, and broader sustainability strategies. If a company states that it wants to be completely climate neutral in ten years, the auditor may also look at the company's overall sustainability strategy, long-term stakeholder engagement, and measures taken to promote a culture of sustainability. This can lead to a very different assessment.

Identifying deception in audit practice

In the professional practice of auditors, heuristics and biases play a crucial role in forming judgments and qualifying risk behavior. As mentioned above, heuristics, in the sense of mental shortcuts that help us make decisions efficiently, are inherent in our daily functioning. It is important to recognize that heuristics are not good or bad in themselves; their effectiveness depends on the context. In some situations, heuristics can make people in organizations successful risk takers, while in other cases they can narrow their focus and lead to blindness to certain risks. In such cases, it is sometimes better to avoid biases.

For this study into truth-finding and deception by and of the internal auditor, we used tools that enable the measurement of heuristics and biases in organizations (see: Nuijten et al. 2024). These tools provide insight into mechanisms that can influence judgment and performance. By creating awareness in this regard, organizations can take targeted action to increase or decrease heuristics, thereby creating a risk-aware culture. Paying attention to heuristics and biases is an ongoing task, not something that should be done once, but something that requires constant attention.

The word 'deception' initially evokes associations with 'lying' and therefore 'reprehensible behavior'. In that context, the role of the internal auditor seems clear: 'exposing such abuses', or as the accountant would say: ensuring that a 'true and fair view' of reality is provided. So away with that wallpaper! However, our literature review clearly shows the importance of nuance: deception takes many forms and can be conscious or unconscious

and can even be vital from the point of view of continuity and peace within an organization. It also appears that there are forms of (self-)deception that are simply inherent in the way we perceive things as humans. The internal auditor himself also appears to encounter struggles in the repertoire of deception.

In the following chapters, we explain the results of our empirical exploration. These are based on the results of a questionnaire that was made available online to IIA members in the Netherlands between January and March 2024, supplemented by more than 200 participants in the symposium on 'Deception in Audit Practice' organized by ESAA in June 2023. A total of 56 respondents participated in the survey, with 44 respondents completing the entire questionnaire. Of these respondents, 73% were male and 27% were female. In addition, there was a good variety in age and years of work experience, ensuring that respondents from various backgrounds were represented in the analysis. The text box below provides a detailed description of the characteristics of the respondents. The insights and results from the ESAA conference, which attracted more than 200 participants, and the workshop we were able to organize on our draft results during the IIA conference on June 20, 2024, which attracted more than 80 participants, have also been included.
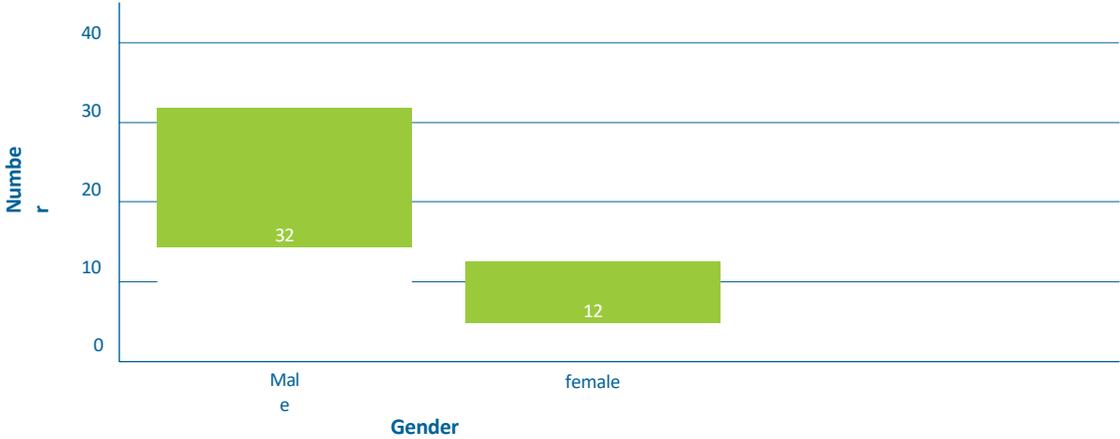
CHARACTERISTICS OF THE RESPONDENTS

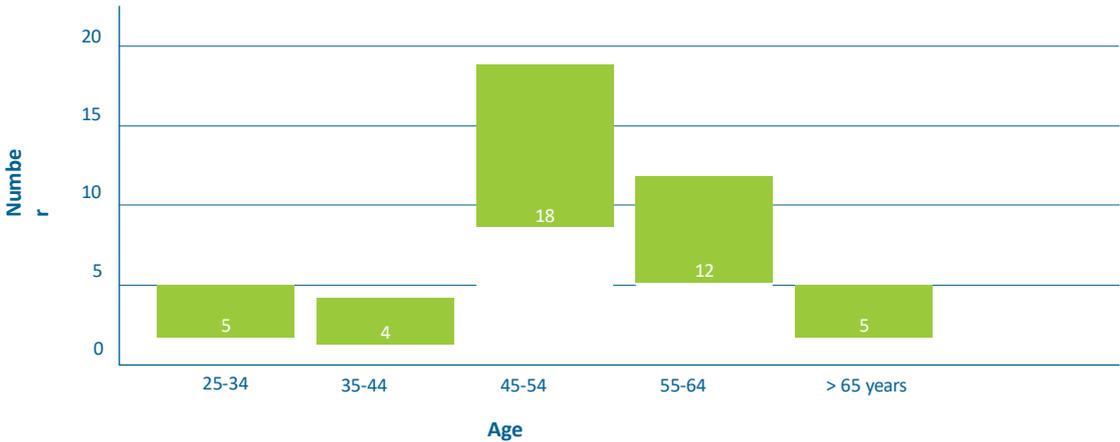Figure 1: *Gender of respondents.*

Figure 2: *Age of respondents.*

Figure 3: *Work experience of respondents in their current role.*

The online questionnaire included a number of open questions to give respondents the opportunity to share their experiences with deception in audit practice with the researchers. In addition, respondents were also asked to recall a specific case in which they had been involved in their professional past, in order to ask further questions about it. They were also asked about the characteristics of the case in question (e.g., IT project or ESG project). Respondents were then asked to rate the extent to which the forms of (self-)deception identified by us could be recognized in that case.

Some of the research findings we present here in describing the empirical results can be traced back to the response categories in the questionnaires completed by our respondents, but another (equally interesting) part stems from the answers to the open questions that were also asked—which is why we will also discuss these answers in the following section.

categories in the questionnaires completed by our respondents, but another (equally interesting) part stems from answers to the open questions that were also asked. For this reason, we will not always quote percentages or numbers, but will sometimes use more generic labels such as 'many', 'several', 'a number' and 'a few'.

For a technical explanation of the research, we refer to elsewhere (see: Nuijten et al., 2024). In this report, we limit ourselves to a substantive discussion of the most important and most relevant results for the research into deception of/by the internal auditor. However, in anticipation of our discussion on this subject, we will end this chapter with a number of reflection questions.

Reflection questions: professionalism of the auditor (3)

This theoretical exploration raises several questions for internal auditors:

- May the internal auditor present fictitious cases of risks that have not yet manifested themselves to the auditee in order to determine 'preparedness'?

- Can the internal auditor conceal the exact purpose of contact with the auditee, for example to verify previously identified errors?

- Are penetration tests or simulations permitted in which the auditor pretends to be a malicious hacker and then tells the organization that it was 'fake'?

- Is the auditor permitted to 'nudge' his auditees with comments such as 'your project is less advanced than others', even if this is not entirely certain?

- Is the internal auditor allowed to mislead the auditee or the client if this serves the purpose of the investigation?

ATTEMPTS TO MISLEAD THE AUDITOR ARE OFTEN UNCONSCIOUS; ONLY WHEN THE NEED IS REALLY GREAT ARE FACTS CONSCIOUSLY DISTORTED.

5

Misleading internal auditors: consciously and unconsciously

The role that auditees play in deception

The first question we asked internal auditors as part of our investigation was: In what situations do you encounter deception in your work as an internal auditor? The responses we received reveal various situations in which internal auditors encounter deception, both conscious and unconscious, in their contact with auditees. Below, we discuss a number of common examples and then explore the (sometimes blurred) relationship between conscious and unconscious deception. All in all, a peek 'behind the wallpaper' reveals a slightly different picture than what is usually visible to the outsider from a distance...

Rosy expectations: confusing the current and future situations

Internal auditors first note that auditees sometimes present their expectations about the future situation as the current reality. According to them, this leads to a distorted picture of the situation at the time of the audit. The auditee's assessment of the situation then does not correspond to the reality as determined by the internal auditor, but is colored by what auditees want to see or plan to do in the future (their vision of the future). This behavior can manifest itself in a number of biases, which are also clearly evident in the analyses.

Key findings regarding biases

To clarify the general observations included in this text, below is a top 5 list of biases observed by the internal

Top 5 biases observed by respondents in projects		Average score (1-7)	Respondents who recognize this problem[1]
#1	**Optimism bias**	4.75	90
#2	**Self-justification bias**	4.64	82
#3	**IKEA effect**	4.61	80
#4	**Near completion effect**	4.54	78
#5	**Illusion of control**	4.54	75

Table 1: Top 5 biases most commonly recognized by respondents in projects

1   Percentage of respondents who gave a score of 5, 6, or 7 on one or more of the questions related to the bias in question, measured on a 7-point Likert scale.

What emerges from the responses of the internal auditors is what is referred to in the literature as *optimism bias (average score: 4.75, recognized by 90% of respondents)*. The main implication of this is that auditees (consciously or unconsciously) overestimate the likelihood of future success.

This overestimation of the likelihood of success in relation to the current situation is confirmed by the fact that **illusion of control** (average score: 4.54, recognized by 75% of respondents) is frequently mentioned in the responses of internal auditors as an explanation for overly optimistic expectations: because auditees have a clear picture (or at least think they have) of the future situation, there is a feeling that it will certainly be possible to realize it and that its contours can already be recognized in the current situation. In this way, images of the future and current reality become intertwined.

This is certainly the case when the image of the future is strongly promoted or made attractive in order to motivate people within the organization to move in the desired direction. In this context, self-deception seems to contribute to the realization of the desired image of the future. Reality and desirability merge into one another.

Spotlighting: highlighting or concealing information

A common theme in the responses of internal auditors is also the tendency of auditees to present information rather selectively. Positive results are highlighted and emphasized, while negative aspects are downplayed or not mentioned at all. This creates an unbalanced picture of reality.

Selective presentation of information as a form of deception is almost inevitable in situations where presentation choices have to be made (such as summarizing) because providing complete information is not an option. The selective presentation of information can be a conscious action, but it can also occur unconsciously. In the case of biases, certain information is overexposed and demands all the attention. Other relevant information is therefore hidden from view.

In addition to the biases we have already mentioned, the internal auditors who participated in the study also identified the so-called *IKEA effect (average score: 4.61, recognized by 80% of respondents).* This bias refers to the tendency of people to attach greater value to what they have made or assembled themselves, even if the end result is not perfect. In this case, you see that the internal auditor attaches a different value to actions and their impact than the auditees who are responsible for them.

In addition, there often seems to be *self-justification bias (average score: 4.64, recognized by 82% of respondents)*, i.e., justifying previous actions and decisions (to yourself, but possibly also to others).

Mishmash information: reporting at a very general or, conversely, detailed level

Several internal auditors we asked about their experience with deception also pointed to cases in which important information is presented in such a way that it is difficult to identify the underlying problems. This includes, in particular, not reporting at a detailed level but only at a high level, which hides valuable insights.

One of the internal auditors who participated in the study used the apt term "stewed information" in this context. The bottom line is that a credible picture is painted. But all the ingredients and details have disappeared into the stew and are thus hidden from the critical questioner. This form of deception at least gives the impression that an attempt is being made to deliberately mislead the internal auditor.

This fits in with, for example, the *self-justification bias (average score: 4.64, recognized by 82% of respondents)* mentioned by the auditors, but there may also be a so-called *mum effect (average score: 4.03, recognized by 65% of respondents),* if the attempts at deception stem from a fear of negative reactions, punitive measures, or unrest within the organization. Incidentally, according to the internal auditors we consulted, there are also occasionally less organized "creative" minds who talk about their yields and results with great enthusiasm but little systematicity.

Use of jargon: creating distance or closeness through word choice

Some internal auditors also say they have experienced technical jargon being used to conceal the true nature of problems. This can lead to misunderstandings or underestimating the seriousness of certain issues.

In various responses to our question about misdirection, internal auditors gave the example of IT professionals using their jargon to give the impression that everything is technically in order and under control, and has been placed in the hands of experts.

The use of IT jargon can, of course, be functional in mutual communication, but it

can also be an expression of what is known as *authority bias (average score: 4.47, recognized by 77% of respondents)*, whereby an outsider as a 'non-expert' allows themselves to be influenced or impressed by the use of language, and attaches extra weight or certainty to information without there being any real reason to do so. Internal auditors who do not have a sufficient command of the jargon do not always dare to ask further questions, leaving room for deception.

The use of jargon (not only in IT, incidentally) can be intended to create distance, but conversely it can also be an attempt to create closeness and win over the internal auditor: 'you understand us', you are 'one of the guys'. *Group think (average score: 4.36, recognized by 80% of respondents)* can then play a role as a bias, i.e., the tendency as a group to agree with each other.

Playing with timing: suggesting progress or legitimizing delays

The timing of activities and results offers another opportunity to mislead the internal auditor. This can create a distorted picture of the progress and effectiveness of improvement measures and cast possible delays in a different light.

Several internal auditors mentioned the game between auditor and auditee in which the 'timing of the photo' influences the picture that is painted. For example, auditees deliberately delay the publication of a critical audit report in order to implement improvement measures 'in injury time'. This can lead to a competition between auditor and auditee over who is right, and even the moment of observation can be a factor in this game. Reality is therefore a snapshot, and the moment of recording can influence the picture.

This lends itself to the subtle influence of biases that affect our perception of time, such as the **student syndrome** *(average score: 3.39, recognized by 39% of respondents)*, the core of which is procrastination and the tendency to postpone serious efforts for as long as possible until a deadline that is perceived as 'real'. To a large extent, the aforementioned ***illusion of control*** (we'll get this sorted out in the meantime') plays a role here *(average score: 4.54, recognized by 75% of respondents),* as can be deduced from the answers of the internal auditors we surveyed.

Openness about uncomfortable information

Internal auditors value openness and honesty in auditees. Such behavior can lead to more in-depth and trusting relationships, which are considered essential for an effective audit. Auditors therefore appreciate it when an auditee shows vulnerability. Such openness at least creates the impression that the auditee is not inclined to mislead the auditor. So far, nothing new.

But what if that same openness and vulnerability is used by the auditee to positively influence the auditor's judgment? We asked the internal auditors who participated in our study about this using a brief case description: "Suppose you are conducting a project audit. The project leader is open and honest and emphasizes that everything described in the project documentation provided is factually correct. However, in a later conversation, this auditee shows vulnerability and confides that he/she sometimes struggles with the project personally and is uncertain about it."

Would you use the information presented last (the personal struggle) in your assessment, and would this have a positive or negative effect on the auditee?

positive or negative for the auditee? With the answer to this question, we sought to determine the influence of personal confessions by auditees on the judgment formed during an audit.

The internal auditors take the information provided into account in a professional manner and assess whether this information sheds a different light on the other information that the auditor uses in his or her work. The vast majority of internal auditors indicate that they are aware of the confidential information and therefore cannot pretend that they do not know about it. Knowing something immediately creates an obligation to do something with that information: you cannot remain ignorant. Asking further questions is then actually the only option left, we were told.

In some cases, the additional information provided in confidence will lead to a more negative assessment, while in other cases the same information may have a positive effect. In any case, it is interesting to note that additional information of a 'negative' nature (uncertainty, struggle) can also lead to a more positive, sympathetic assessment of a project by the auditor.

The internal auditors we surveyed indicate that the openness and vulnerability shown by an auditee contributes to the image formed and can influence the auditor's assessment of a project. It is clear that this also provides fertile ground for biases as a basis for (self-)deception on the part of the auditor. Such as **affect heuristic** *(average score: 4.42, recognized by 75% of respondents),* whereby sympathy for the auditee (unconsciously) influences the auditor. Auditors in our study also recognize this risk.

This nicely illustrates a dilemma for the auditor: sharing uncertainty with the auditee can help to form a good judgment, but

can also be a hindrance. Additional research and a critical eye remain necessary for an accurate assessment. Underlying the dilemma of the auditor who has knowledge of uncomfortable information or personal confessions obtained 'in confidence' is that 'not knowing' is not an option. In such cases, both the choice to remain silent and the choice to 'spill the beans' can backfire on the auditor.

A limited number of internal auditors point to deliberate distortion of facts as a significant form of deception. This can range from omitting important information to providing incorrect data. The picture that emerges from our empirical results is that deliberate deception is less prominent than unintentional deception and mainly occurs when the auditee is in dire straits.

Deception is remarkably often unconscious; conscious mainly when the need is great

We asked the internal auditors not only whether they knew of examples of deception from their own professional practice, but also what situations they encounter most often. Are these people who deliberately distort the truth or people who unconsciously engage in deception because they have come to believe their own stories?

The majority of internal auditors who participated in the survey noted that, in their experience, unconscious deception occurs more often than deliberate deception. This is mainly attributed to the fact that auditees are not fully aware of all relevant information, make overly optimistic assessments, and believe what they themselves say. In this sense, deception does not arise from a conscious intention to deceive, but rather from a lack of awareness or understanding.

Of course, internal auditors cannot determine with certainty whether deception by auditees is conscious or unconscious. However, the examples of deception cited by internal auditors often focus on 'an overly rosy picture of the situation', overemphasizing positive characteristics and downplaying negative ones, with related biases such as overoptimism bias, the illusion of control, and the IKEA effect.

Deliberate and unintentional deception merge into one another...

The internal auditors also indicate that deliberate and unintentional deception can overlap. One example cited is that auditees tend to justify their own behavior to themselves and others. This refers to the bias previously mentioned as *self-justification (average score: 4.64, recognized by 82% of respondents)*. Here, conscious and unconscious behavior overlap. Perhaps the deception starts consciously, but at some point people start to believe it themselves and justify it to themselves.

But the reverse is also possible: the deception starts unconsciously (as a mistake or error) and people then consciously camouflage such mistakes later in the process (to avoid losing face). If previous mistakes are concealed at crucial moments (e.g., in an interview with the auditor), the concealment turns into a lie.

The line between conscious and unconscious deception becomes even more subtle when we take cultural differences into account. There are typical cultural dimensions that can influence biases and forms of deception. The large "power distance" in a strongly hierarchical culture can lead to the mum effect (keeping quiet), the ostrich effect (burying your head in the sand), and the authority bias (weight of authority) in "tactical" communication.

And the culturally typical perception of time can influence biases such as planning fallacy and status quo bias. In a collectivist (versus individualist) culture, group think is more likely. Although we may be aware of culture-specific differences that promote corresponding biases, our conscious awareness may shift toward the unconscious when we are immersed in such a culture and have come to consider it 'normal'.

In conclusion, the responses show that unconscious deception by auditees, resulting from a lack of overview or a deep-rooted belief in their own stories, occurs more often than conscious distortion of facts. Our further analysis also shows that the distinction between conscious and unconscious deception is not so easy to make.

So far, we have only discussed the results at a generic level. In the next chapter, we will zoom in on specific case studies. But before we get to that, we will end this chapter with a number of questions for reflection.

Reflection questions: professionalism of the internal auditor (4)

For auditors, these empirical insights raise several questions:

🌐 Does it matter whether (an attempt at) deception by the auditee is conscious or unconscious, especially if the dividing line between the two is difficult to determine?

🌐 Should an internal auditor who is confronted with the use of jargon consider whether this stems from authority bias or bias blindness?

🌐 Should an internal auditor report attempts to delay the audit process when these can be linked to the student syndrome or the illusion of control?

🌐 To what extent can an auditor base their judgment on 'mishmash information', and does it matter whether this stems from self-justification or the mum effect?

🌐 Does it matter to internal auditors if auditees have overly optimistic expectations for the future due to optimism bias and/or the illusion of control?

IT IS EASIER TO LIE
ABOUT SOMETHING THAT IS
'FAR AWAY' THAN ABOUT
SOMETHING THAT IS
'CLOSE BY'.

6 | Case study: misleading the auditor: long-term ESG and IT projects

Optimism versus realism: wishful thinking dominates

Particularly interesting when it comes to (attempts to) mislead the internal auditor are projects that are characterized by a long-term orientation. With reference to the previously discussed construal level theory, it can be established that images of the relevant time horizon vary considerably, which means that the wording of the actual and expected reality can also vary.

In that light, we asked internal auditors whether the risk of deception is different (greater or smaller) in long-term projects where promises are made that can only be truly assessed after many years (such as ESG projects or IT projects) than in shorter-term projects.

Many internal auditors indicate that, in their professional practice, they encounter auditees who, in their estimation, tend to be overly optimistic about the feasibility and results of long-term projects. This can lead to a distorted view of reality and, in some cases, to unintentional misrepresentation.

Interestingly, the form this deception takes differs significantly from projects with a shorter time horizon. With a shorter time horizon, we are talking about the forms of bias discussed earlier: optimism bias, self-justification, the IKEA effect, illusion of control, and the near completion effect.

Key findings regarding ESG projects

The two tables on the following page provide an overview of the findings relating to ESG projects. Table 2 specifies the biases that received the highest average scores from respondents specifically within long-term ESG projects. In addition, Table 3 provides an overview of how biases within long-term ESG projects differ from those in other projects. This table provides an overview of the biases between which there was the greatest difference in scores between ESG projects and the other projects in the dataset. This clearly shows that a number of biases are observed more frequently in ESG projects than in other projects. In addition, there are also a few biases to which ESG projects seem to be less susceptible (see also Nuijten et al., 2024):

Top 5 biases observed by respondents in ESG projects		Average score (1-7)	Respondents who recognize this problem in ESG projects[2]
#1	Affect heuristic	4.9	100
#2	Inertia	4.86	100%
#3	Self-justification bias	4.76	86
#4	Illusion of control	4.57	57
#5	Anchoring	4.43	86

Table 2: Top 5 *biases recognized in ESG projects.*

Top 5 largest bias differences. ESG projects compared to other projects		Average score for ESG projects (1-7)	Average score for other projects (1-7)	Difference
#1	Planning fallacy	3.46	4.51	-1.04
#2	Mum effect	3.29	4.04	-0.75
#3	Inertia	4.86	4.14	+0.72
#4	Affect heuristic	4.90	4.19	+0.71
#5	Sunk cost effect	3.86	4.45	-0.58
	All biases	4.19	4.15	-0.05

Table 3: *Main differences in biases between ESG projects and other projects.*

The main difference between long-term ESG projects and other projects lies in the **planning fallacy** *(average score: 3.46, recognized by 57% of respondents)*: the belief among those involved that more is possible than can realistically be expected. While this is a very prominent bias in other projects, it seems to be much less prevalent in ESG projects. This seems to indicate that meticulous and target-oriented planning is less dominant in decision-making for ESG projects. One interpretation of this result could be that, at the start of an ESG project, those involved need to make less effort to sell their project within the organization with meticulous planning.

tight schedules because such projects may be considered a 'must-do'.

It is also striking that ESG projects (compared to non-ESG projects) score very high on the **affect heuristic** *(average score: 4.9, recognized by 100% of respondents)*, i.e., the tendency to make decisions based on feelings and emotions. This may indicate that people within the organization are very attracted to ESG projects. This means that the advantages of the project are overemphasized and the disadvantages and risks of the project are underemphasized.

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2   Percentage of respondents who gave a score of 5, 6, or 7 on one or more of the questions related to the bias in question in ESG projects, measured on a 7-point Likert scale.

Specifically for long-term IT projects, we also see that internal auditors in their environment mainly perceive excessive optimism about the feasibility and realization of long-term results (**optimism bias**) *(average score: 4.75, recognized by 92% of respondents)*. This is more pronounced than in projects that do not have such a long-term horizon.

Risk assessments: a great project is worth the cost & vague prospects

The general consensus is that projects with a longer duration carry a greater risk of deception. This is mainly due to the increased uncertainty and complexity associated with projects that run over several years.

Complex projects with a long lead time are particularly fertile ground for conscious or unconscious (self) deception, and this also applies to ESG projects. An interesting finding from the responses we received is that ESG projects are characterized by a low **sunk cost effect** *(average score: 3.86, recognized by 57% of respondents)*: the idea that funds already invested must be recouped. This seems to indicate that the costs incurred in ESG projects are less dominant in the decision-making process. One interpretation of these results is that those involved in an ESG project start with high cost estimates because they need to make less effort to sell their project within the organization if such projects are considered a 'must-do' and there is a positive image of ESG initiatives within the organization, characteristic of the **affect heuristic** *(average score: 4.9, recognized by 100% of respondents).*

IT projects with a longer duration are distinguished by a lower score on **anchoring bias** *(average score: 4.06, recognized by 75% of respondents)*, which is the choice of a fixed reference point for decision-making. Although this is still recognized in IT projects, it is significantly less common than in other projects. This seems to suggest that, particularly in IT projects, less guidance is found in the past (or in other IT projects) when making project plans. The results may also suggest that, particularly in IT projects, those involved want to reinvent the wheel time and time again.

Longer duration: psychological distance directs our attention

The aspect of project duration warrants further elaboration. Many ESG initiatives have a long time horizon: 2030 and 2050 are no exception. This long term can influence the tendency to (self-)deception as a result of what is known as 'psychological distance'.

First of all, it is apparently more difficult to lie about facts if the lie could be exposed in the very short term and the deceiver then be exposed as a liar. It is easier to lie about facts if the lie will only be exposed in 30 years' time. It is easier to lie about something that is 'far away' than about something that is 'close by'.

A second aspect that plays a role in 'psychological distance' in time has to do with the aspects and details that catch the eye (the 'construal level'). With a long time horizon, the information we focus on is more abstract and therefore less easy to expose as deception. We see this picture confirmed in the responses, which show not only (attempts at) deception of the auditor, but also self-deception, i.e., auditees deceiving themselves.

Adjustment and reflection: on a moving train and agile working

Long-term projects entail an increased risk of deception, but they also offer the opportunity to make adjustments along the way and build in moments of reflection. These moments can help to keep the project on track and correct any misleading perceptions.

Interestingly, ESG projects, with their long-term orientation, also stand out in this respect due to a higher level of **inertia** *(average score: 4.86, recognized by 100% of respondents)*, a lack of agility, or (room for) flexibility. This can lead to a 'runaway train' situation, where forward momentum is not easily stopped or adjusted. This may be fueled by shared enthusiasm for an ESG project, characteristic of the **affect heuristic** *(average score: 4.9, recognized by 100% of respondents).*

If we compare the perceived forms of bias by internal auditors in agile projects with classic waterfall projects, slightly different forms of bias emerge: the *planning fallacy*, *mum effect*, *anchoring*, and *status quo bias* are less commonly observed in agile projects than in waterfall projects; see Table 5 for an overview. On the other hand, other biases appear to occur more frequently, namely: the *student syndrome* in the form of procrastination and shifting problems to the next sprint *(average score: 3.53, recognized by 41% of respondents), the near completion effect*, which becomes more dominant due to the repetitive sprints and short lead times *(average score: 4.67, recognized by 82% of respondents), and affect heuristic*, whereby those involved identify more with the project and team *(average score: 4.58, recognized by 82% of respondents), group think (average score: 4.42, recognized by 73% of respondents)*, and the *sunk cost effect (average score: 4.53, recognized by 96% of respondents).*

The results show that an agile way of working (frequently used in IT projects) offers starting points for reducing forms of (self) deception in long-term projects. In practice, however, there is mainly a shift between the forms of (self) deception.

Key findings regarding Agile projects

The two tables below provide an overview of the results relating to Agile projects. Table 4 specifies the biases that received the highest average scores from respondents specifically within Agile projects. In addition, Table 5 provides an overview of how biases within Agile projects differ from those in Waterfall projects. This table provides an overview of the biases between which there was the greatest difference in scores between Agile projects and Waterfall projects (see also Nuijten et al., 2024):

Top 5 biases observed by respondents in Agile projects		Average score (1-7)	Respondents who recognize this problem in Agile projects[3]
#1	Optimism bias	4.82	96
#2	IKEA effect	4.68	82%
#3	Near completion effect	4.67	82
#4	Authority bias	4.62	77
#5	Affect heuristic	4.58	82

Table 4: *Top 5 biases recognized in Agile projects.*

Top 5 largest bias differences. Agile projects vs. Waterfall projects		Average score for Agile projects (1-7)	Average score for Waterfall projects (1-7)	Difference
#1	Planning Fallacy	4.06	**4.63**	-0.57
#2	Mum Effect	3.76	**4.31**	-0.55
#3	Anchoring	4.18	**4.69**	-0.51
#4	Status quo bias	3.71	**4.17**	-0.45
#5	Illusion of control	4.47	**4.86**	-0.39
	All Biases	**4.27**	**4.34**	**-0.06**

Table 5: *Main differences in biases between Agile projects and Waterfall projects.*

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[3]   Percentage of respondents who gave a score of 5, 6, or 7 on one or more of the questions related to the bias in question in Agile projects, measured on a 7-point Likert scale.

Culture: (not) telling it like it is or burying your head in the sand

Our research results show that it is essential to find a balance in communication in long-term projects. On the one hand, there is a need to keep all stakeholders informed, but on the other hand, there is a risk that overly detailed or overly optimistic information will cloud future assessments.

The culture within an organization also plays an important role in how transparency is maintained and how deception is prevented or, conversely, facilitated. A culture that promotes openness and realistic objectives reduces the risk of deception. From the responses we received from internal auditors, we can conclude that ESG projects have a lower ***mum effect (*** *average score: 3.29, recognized by 43% of respondents)* when compared to the scores for other projects. This suggests that employees and other stakeholders are more likely to be invited to contribute ideas and input to ESG projects.

Interestingly, the responses also show that IT projects with a long-term orientation are more susceptible to the ***ostrich effect*** *(average score: 4.07, recognized by 58% of respondents)* than other projects. This suggests that the management of an organization (or the project) is more inclined than usual to bury its head in the sand and shut itself off from critical but valuable signals.

AUDITORS ARE NOT
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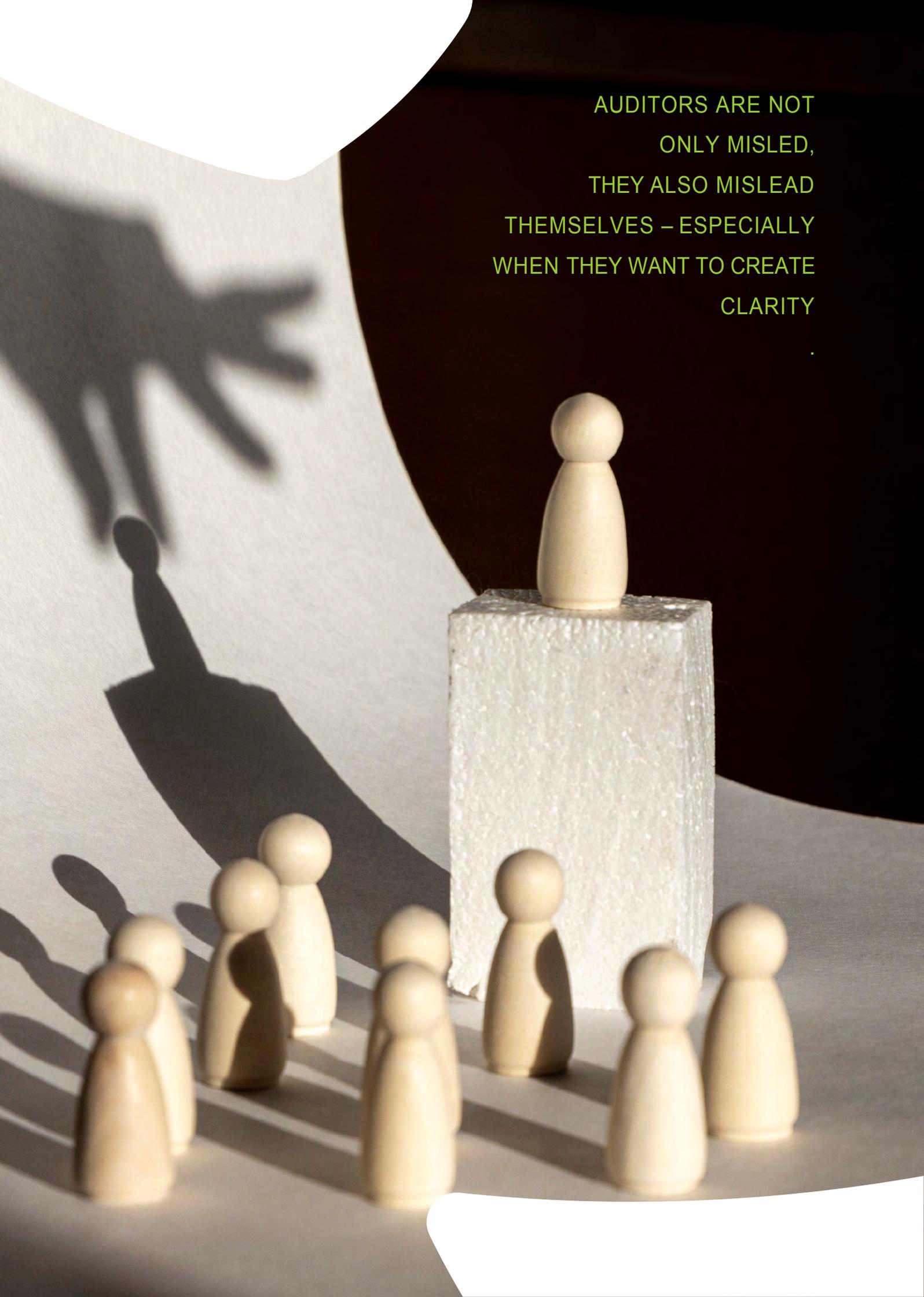
7 Deception by auditors: of others and themselves

The role that auditors themselves play in deception

We did not only ask how internal auditors are misled by others or encounter attempts at deception by others in their professional practice. We also asked the reverse question: whether they themselves (consciously or unconsciously) engage in deception, not only of others but also of themselves. The findings described below are based on auditors' self-reflections on situations in which this occurs.

Colorful use of professional terminology

Many auditors recognize that the use of their professional terminology can cause deception. Examples of this are auditors giving a judgment in very precise terms that is formulated in terms of "sufficient with findings," using concepts in their professional language such as "intent, existence, and operation," describing the 'scope determination' in very precise technical terms, and sometimes making reservations in their formulations by using double negatives such as: 'we have not found any inaccuracies'.

It is interesting to note that internal auditors, with their jargon and professional rules, want to create a precise framework and unambiguous language for communication within the profession, but that this same jargon does not necessarily contribute to clarity for auditees.

Internal auditors certainly consider it conceivable that readers of an audit report are not always fully aware of the inherent limitations and consequences of the terminological choices in an audit report and how technical statements

can affect the thrust of the report. This creates room for misrepresentation, for example as a result of *authority bias*.

Internal auditors try to communicate unambiguously. They do this, for example, by choosing standard wording, tables, or the use of colors (green, orange, red). At the same time, internal auditors find that the choice of words (such as minor or major; marginally adequate or marginally inadequate; unacceptable) makes a big difference to the image (and reaction) it evokes in the reader of the audit report.

It also appears that, in practice, auditors do not consider the precise choices and weighting of findings to be trivial and sometimes deliberate and consult with each other on this. The same applies to the assignment of color codes to findings: estimates of probability and impact are often difficult and can determine the color (red or orange) assigned to the finding and thus also the image and reaction it evokes in the reader. Choosing a color is therefore decisive. The risk of deception, for example through *illusion of control (*the idea that everything is under control) or *confirmation bias (*selective confirmation), is certainly not imaginary.

Timing of information provision: not too early and not too late

It is not only auditees who play with timing, internal auditors do so too. Delaying the completion of the report can lead to a particular decision being taken or, conversely, not yet being taken, and can influence the perception of those involved, such as members of the supervisory board.

The work of the internal auditor has a time dimension that offers plenty of scope for influence, as becomes clear: when does the audit start, how long does it last, what period and what moment does it relate to, and when are the draft and final audit results communicated? In situations where there is a hearing and discussion of the draft report and obtaining a management response, a report may be in the finalization phase for a period of time. This provides scope for sharing findings with stakeholders earlier or later.

Considerations on this point are often made within standardized procedures and timelines, but even within that framework, biases can occur. Auditors will want to report neither too late nor too early and will consciously choose the moment at which information is shared. It may be that the recipients of an audit report have a different perception of time (and urgency) and may interpret a delayed audit report as 'no news is good news'. This then raises the risk of conscious or unconscious deception through *inertia* or *status quo bias.*

Scope and focus of the audit: functional boundary determination

Leaving out relevant information or not fully covering the audit scope can also lead to deception, both consciously and unconsciously.

Internal auditors make choices about what they consider relevant to the target audience of the audit report. Such choices include whether or not to include a finding in the management summary. Auditors also determine an audit scope in advance: this mainly involves 'omitting' what you do not want to/cannot include in your investigation. This is motivated by professional considerations

considerations and assessments of what is relevant to the target audience of the audit report. This leaves room for bias on the part of both the auditor and the target audience of the audit report. It is interesting to note that the auditor attaches great importance to carefully framing the investigation, while the reader of the audit report places the findings in a broader context within which they make decisions and in which the audit report is often not the only source.

Reporting and results: a weapon in the battle

Due to the position of authority held by auditors, their statements, judgments, or recommendations can sometimes carry more weight than intended, influencing the perceptions of auditees and, even more so, of the board and management.

The auditor's work and words carry weight. This also has consequences in practice: auditees may perceive the auditor as threatening and be cautious in providing information. On the other hand, auditees can also use the auditor's attention to get their own problems on the agenda of senior management. The auditor's input can therefore also (intentionally or unintentionally) amplify (as a sounding board) or muffle the voices within the organization. The authority of the internal auditor thus creates a breeding ground for biases (e.g., *authority bias* or the *mum effect)*.

There are cases in which audit reports are used for purposes for which they are not intended, or in which reports are presented with an accompanying message that paints a different picture than the report itself. Even if the audit and the audit report describe the findings very precisely, the report can still be used in a context that gives a different, misleading picture. The use of audit reports can also be surrounded by biases that influence interpretation.

reports may be subject to biases that influence their interpretation.

Framing: balancing effectiveness and integrity

A small difference in the choice of words when sharing the same information can influence the recipient's interpretation (for example: 'it almost always goes well' or 'sometimes it still goes wrong'). In that light, we asked the question: Should an auditor use framing to improve the reception of the message, or would that be misleading?

Of course, framing plays a much broader role, but even the wording of questions during an interview can color the answer, which can result in possible deception. If the internal auditor conspicuously searches for errors, contradictions, or culprits in the questions, this can have the effect of emphasizing what is going well and prompting attempts to justify inconsistencies. The internal auditor is not just someone who observes, but also someone who assesses. The effectiveness of an audit is determined not only by the quality of the report, but also by the extent to which the message is accepted. This raises the question of the extent to which framing can be used without compromising the integrity of the message.

The use of framing is inherent in word choice. The auditor will be inclined to choose words such as "the glass is half empty" or "does not meet the standard" instead of "the glass is half full" or "you partially meet the standard." So the risk approach of audits already involves forms of framing. When conveying a message, specific findings (often focused on risks) are brought to the reader's attention. The anecdotes from practice show that directing such attention is a consideration in "borderline cases" (is this still orange or is it already red)? The auditor will always have to be able to justify their professional judgment, but will also have to be aware of their own biases and the possible biases of the reader. It is also a professional consideration to carefully weigh effectiveness and integrity in this regard. In an oral explanation, for example, the question arose as to the extent to which auditors may use 'nudging', whereby you try to influence the behavior of the target group by making use of biases. For example, by means of procedures or timing that contribute to audit findings being followed up. Or the use of benchmarks by auditors to convey their message more effectively (using biases).

Many auditors are aware of the impact of their choice of words and see framing as a tool to emphasize certain points. The challenge lies in applying framing in a way that clarifies rather than misleads.

The line between framing and deception is blurred. While some argue that any form of framing is inherently misleading, others argue that it can (at the same time and despite this) be a legitimate technique, provided it is used responsibly and transparently. It is important that the use of framing within audit practice is recognized and acknowledged. As indicated earlier, framing in word choice is inevitable, and it is therefore important to monitor when clarification turns into manipulation.

In other words: at what point do we, as internal auditors, 'mislead' the reader of the audit report? This can be in the use of words, but also, for example, in the use of technical jargon in audit reports (the aforementioned double negatives, or scope limitations) that may evoke a different image in the mind of the (non-technical) reader. The auditor has an active role to play in preventing misinterpretation by the reader.

Truth in the plural?

Internal auditors recognize that perceptions of reality are strongly influenced by individual experiences, perspectives, and cultural backgrounds. This suggests that it is difficult to establish an objective truth in the complexity of audit practice.

The responses show that internal auditors and auditees can look at the same object and yet perceive something completely different. The truth cannot therefore be determined objectively. This naturally presents a challenge for the auditor who aims (to use the terms of the accountant) to provide a 'true and fair view' of reality and who wants to avoid deception: this auditor also brings himself into the picture, including his own subjectivity with forms of (self) deception.

It is generally recognized that auditors and auditees view the same object from different perspectives, with auditors taking a broader, more risk-oriented view and auditees focusing more on the specific context and practical feasibility within their domain. For example, in their responses, internal auditors distinguish between legal and operational realities, whereby contractual or legal frameworks may be interpreted differently than in daily practice.

Particularly in complex or 'soft' subjects, it is noted that both parties may differ in their assessment without either of them necessarily being wrong. The nuances in interpretation underscore the complexity of audit work. In both complex projects and long-term projects, it is therefore conceivable that auditors see things differently than auditees.

Key findings regarding differences in biases between insiders and outsiders

To clarify our general findings, we compared the biases observed by outsiders (auditors, risk managers, consultants) in projects with the biases in such projects as observed by insiders (auditees, project

Top 5 biases in which outsiders differ from insiders in projects		Average score outsiders (1-7)	Average score for insiders (1-7)	Difference
#1	Status Quo Bias	4.17	3.31	+0.86
#2	Near Completion Effect	4.76	4.11	+0.64
#3	Mum Effect	4.20	3.62	+0.57
#4	Planning Fallacy	4.47	3.93	+0.53
#5	Sunk Cost Effect	4.60	4.11	+0.48
	All Biases	4.34	4.09	+0.29

Table 6: *Key findings regarding differences in biases between insiders and outsiders*

The results in Table 6 show that outsiders generally perceive a significantly higher level of biases than insiders. This may be because, for example, internal auditors are generally more sensitive or alert to deception and risks than their auditees. This may be due to training or personality traits, but it may also be due to their position as outsiders to the project.

Compared to insiders, outsiders observe significantly more **status quo bias** (#1; difficulty taking actual action), **near completion effect** (#2, we are not going to change anything now because we are almost there), **Mum Effect (**#3, I see that things are going wrong but I keep quiet about it), **planning fallacy (**#4, optimistic project estimates), and **sunk cost effect (**#5, continuing with the project because a lot of money has already been spent).

In short, these are forms of (self-)deception that are typical of a preference to continue a project as it is and refrain from making any adjustments. Perhaps it is easier for an auditor, as a critical outsider, to observe such

forms of (self-)deception than it is for insiders who are involved in the project themselves.

There are also some biases that are less likely to be observed by outsiders than by insiders. For example, the **affect heuristic** *(average score: 4.31, recognized by 72% of respondents)*; falling in love with one's own project, as it were, and therefore weighing the pros and cons in an unbalanced way, **group think** *(average score: 4.27, recognized by 68% of respondents)* and the **student syndrome (***average score: 3.29, recognized by 43% of respondents),* in the form of procrastination. It seems that such forms of (self-)deception occur in a subtle or implicit way in the daily interaction between insiders and, precisely because of this, are not easily noticed by outsiders looking at the project from the outside.

The results of the study also show that auditors and auditees are in a unique position to notice and discuss certain specific forms of deception (biases).

Reflection questions: professionalism of the internal auditor (5)

For auditors, these empirical results raise several questions:

- Is it inevitable that internal auditors use professional jargon that creates clarity within their own profession but is sometimes understood differently outside it?

- Given the risks of deception, should much more attention be paid to biases inherent in the scope, focus, and timing of the audit?

- Where does clarification of the message by the internal auditor cross the line into deception?

- What should an internal auditor do if they know (or fear) that their findings and judgments will become part of a power struggle?

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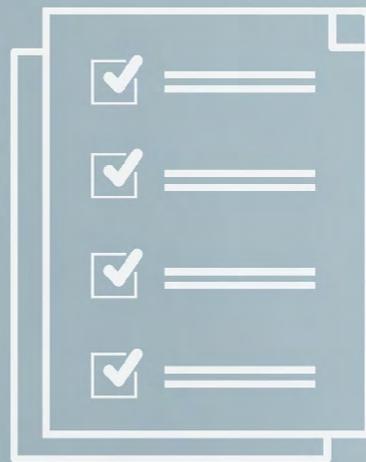
8 Case study of deception by the auditor: transparency in reporting and cyber risks

Increasing transparency: an impetus for less and more deception

In the public sector, under the influence of the Open Government Act (Woo), public access to data is increasingly becoming the starting point, not just an ambition but a principle: transparent, unless... A similar development is taking place in the private sector, resulting in greater openness, namely through the Risk Management Statement (VOR) included in the new Corporate Governance Code, which requires companies to include information about internal risk management and control systems in their management reports. This may shift the boundary between what is (still) considered confidential and internal – such as the internal auditor's report – and what is not.

This is also interesting when it comes to (attempts at) deception by the internal auditor. How does the potentially increasing transparency about risks identified by the auditor and judgments made by the auditor affect their own working practices? In our view, it raises all kinds of questions about the extent to which being sincere ('being open and honest', 'straightforward', 'not mincing words', 'just saying what you think') will still be appropriate in the future...

In light of this, we asked the internal auditors the following questions: Can increased transparency also have negative side effects in certain situations? Consider, for example, situations where an audit report reveals significant shortcomings within an organization. Do you think that (more) transparency leads to more or less deception in audit practice?

The general consensus is that increasing transparency leads to less deception. Sharing information makes it more difficult to distort facts or omit important details and thus mislead. At the same time, the answers also repeatedly draw attention to the other side of the coin: increasing transparency can also be an incentive for more deception.

The degree of transparency that an organization can handle depends heavily on the prevailing culture. An environment that accepts mistakes and sees them as opportunities for improvement promotes transparency and limits deception. If, on the other hand, an organization exhibits the *mum effect (*keeping quiet when things are not going well) or the *ostrich effect (*burying one's head in the sand when problems arise), the question is whether transparency towards the outside world will change this or whether this culture will actually hinder transparency.

Side effects of openness & expectation management

A number of internal auditors emphasize that greater openness about identified risks or shortcomings can have negative effects as well as positive ones, such as information overload or unwanted external attention, which can damage the organization.

It is precisely when there is an overload of information that stakeholders need to divide their attention. This presents an important challenge for the auditor in terms of 'transparency'. Not opening all the windows (i.e., revealing all available information from the inside to the outside). Nor claiming that their own view of reality is the only true one (auditors also have biases). No, the challenge for the

internal auditor is rather to connect different images and realities into a narrative in which the perspectives complement each other rather than conflict and compete with each other, as the responses show.

When outsiders receive information, there is an almost automatic risk of (self)deception in the form *of confirmation bias,* whereby precisely those parts of the information received that confirm the recipient's expectations and advantages are highlighted. Stakeholders such as the often critical press and interest groups will, in that light, seek information that is in line with their assumptions and interests. In this way, such recipients (unintentionally and unexpectedly for the internal auditor) can place information in a broader context and see it as part of 'a pattern'.

Transparency: reporting with attention to reputation risks

A related question is this: Can increasing transparency also influence the auditor's reporting style? Does this affect how reports are written, for example in terms of language use, more or less explanation, different structure, and strictness of judgment?

Several internal auditors indicate that, with increasing transparency, they make more reservations in their reports in order to protect their own reputation and that of the organization, which can lead to a more cautious approach. It is also clear that, according to the internal auditors surveyed, transparency can also cause damage to their own organization.

Certainly when internal auditors also play a role (directly or indirectly) in providing information to the outside world, reservations are expressed about transparency because of the damage it can cause to their own organization. This

creates a dilemma for the auditor, in which the auditor's own reputation is also at stake.

A professional solution is to make more reservations and to precisely define what has and has not been investigated. However, it remains to be seen whether this really helps outsiders who are more distant from the organization and take note of the internal auditor's opinion. By making reservations, the auditor makes his or her world 'smaller', but the question is whether the outsider at a distance (as a user of that information) will be guided by this. This outsider will be inclined to place an audit report in his or her own context, leaving room for biases such as forms of (self) deception. This is not resolved when the auditor hides behind reservations for professional reasons.

Public disclosure of reports: avoiding unintended effects

The knowledge that an audit report may be made public may encourage auditors to adopt a more thoughtful and less direct reporting style in order to prevent sensitive information from being unintentionally shared widely. While the publication of audit reports leads to transparency, it also has an impact on the auditor's reporting style.

On the one hand, increased transparency can result in more comprehensive reports with more explanation and detail, especially if the findings are less tangible and require additional context for proper interpretation. If audit reports become accessible to readers outside the organization, auditors may describe more additional information about the context and details that are self-evident to people within the organization but may be considered necessary for outsiders to interpret and contextualize the findings. In that case, transparency has a negative impact on the efficiency of the audit work in general and the audit report in particular. The risk of misinterpretation by outsiders outweighs the benefits of transparency.

In that case, transparency has a negative impact on the efficiency of the audit work in general and the audit report in particular. The risk of misinterpretation by outsiders outweighs the efficiency and contribution of internal audit to the improvement of the organization itself.

On the other hand, there is also a risk that striving for greater transparency will lead to more concise reports in order to prevent important messages from being lost in an abundance of details. This, of course, presents the dilemma that decisions to reduce the length of texts should focus on the reader's perception (with a diverse readership, reducing information overload), but the auditor also makes such decisions based on his own position and interests (professional liability, protection).

Transparency can also lead to a focus on the system rather than on individuals, emphasizing structural improvements rather than personal mistakes. Internal auditors expect that transparency to the outside world may lead internal auditors to make their investigations and reports less 'personal' and more focused on systems and structures. We believe that auditors are reluctant to end up in a blaming and shaming role in which they could damage their own organization and, above all, individuals within their own organization. Auditors therefore want transparency, but at the same time they are mindful of the people in their own organization and do not want to unnecessarily damage their relationship with these individuals, such as auditees or clients. Auditors are aware that in performing their duties they are dependent on information from auditees and clients and are therefore wary of damaging this relationship.

Cyber risks: awareness advantage versus loss of trust

To gain insight into the impact of increased transparency on (conscious or unconscious) deception by internal auditors, we also asked: Is it desirable to be transparent about cybersecurity risks by sharing them publicly, even if this provides potential attackers with important information? Or is it acceptable not to be open about this or even to mislead the outside world?

The responses show that there is a widely shared concern among internal auditors that too much openness about cybersecurity risks could not only damage stakeholder confidence, but also increase the vulnerability of the organization. At the same time, it is recognized that transparency about major cybersecurity incidents is also essential for raising awareness and preventing new incidents, although strategic attention must be paid to which vulnerabilities and risks are disclosed and which are not, and at what level of detail this is done.

Transparency about cybersecurity can help them refine their deception and attack tactics, for example as hackers, to achieve results and succeed in causing damage to the organization. In this case, transparency inadvertently contributes to successful deception by malicious outsiders.

Strategic considerations regarding communication, policy, and procedures

It is clear that the way in which organizations communicate about (cybersecurity) risks requires strategic consideration. The goal is to be honest without damaging trust in the organization, provoking criminals, or making them unnecessarily smarter. This may mean that information is distributed in a limited way, toned down, or abstracted; all forms of editing that can also be considered deliberate deception.

Interestingly, in the context of transparency on a sensitive subject such as cybersecurity, internal auditors propose that organizations draw up communication strategies in which conscious decisions are made, based on their own organizational objectives, about what information is and is not shared with the outside world. This takes into account the fact that (cyber) risks do not simply exist 'as is', but that the behavior of individuals working in the organization in dealing with them is part of the risks that the organization runs.

This illustrates the extent to which there may be rational considerations for limiting transparency and/or deliberately applying forms of deception.

It is evident that such a decision-making process also provides fertile ground for biases and thus unconscious forms of self-deception. The organizational culture has a major influence on how open people want to be about cybersecurity risks. In a culture where mistakes are seen as learning opportunities, the tendency toward transparency may be greater. Ethical considerations also play a role, especially when it comes to deceiving the outside world.

Previous questions revealed that forms of organizational culture manifest themselves in biases such as *the mum effect* (keeping quiet; what you don't know won't hurt you) and *the ostrich effect* (burying your head in the sand; it will go away if we pretend it doesn't exist). In that light, transparency and learning ability have a complicated relationship. Transparency to the outside world can damage transparency within one's own organization (and thus also the organizational learning ability).

DON'T SCRAPE OFF THE
WALLPAPER TO REVEAL
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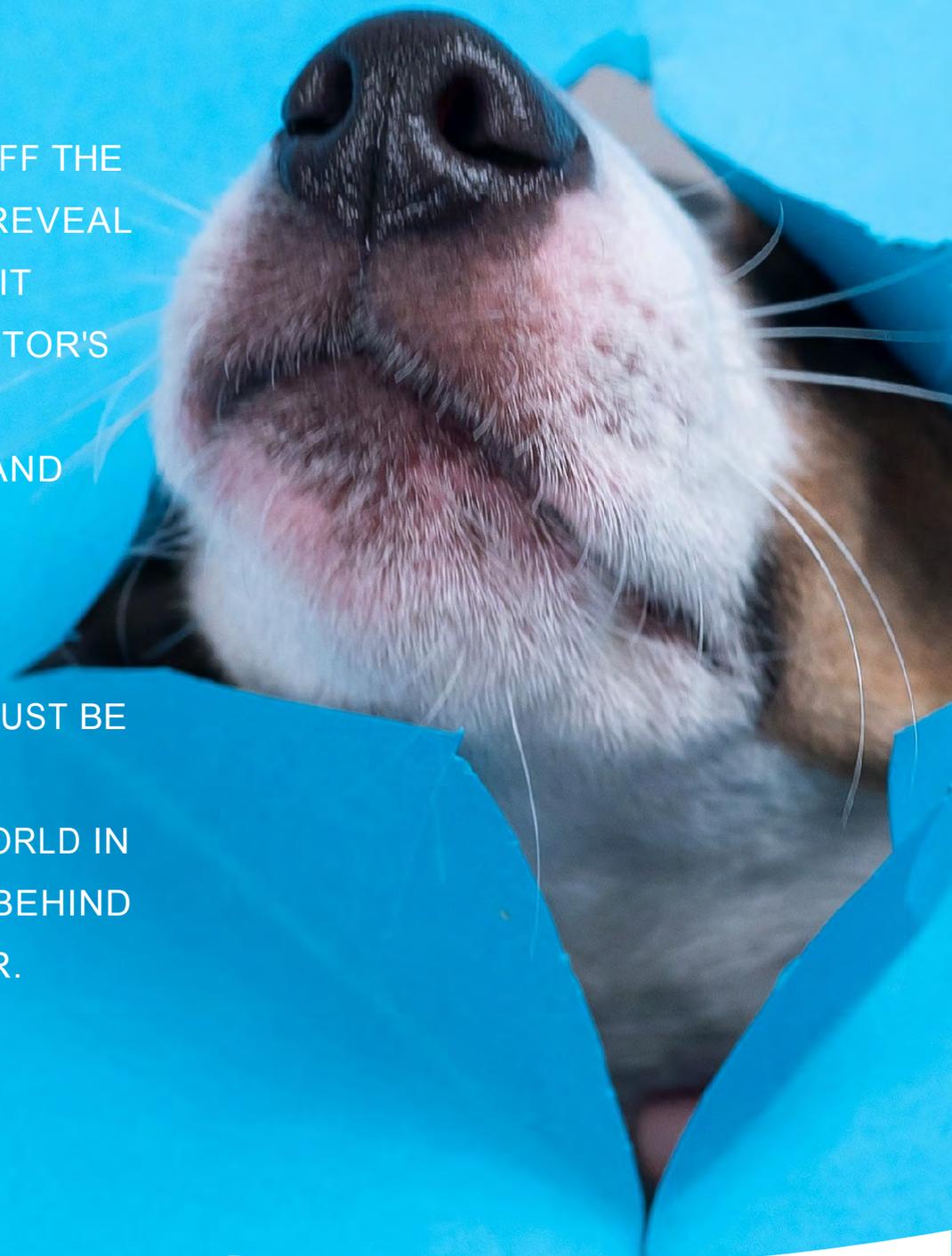
The auditor: from truth finder to truth connector

Auditing in a world full of (fluid) facts and (functional) fictions ...

In audit practice, a (seemingly clear) distinction is often made between facts and fictions. Facts are considered to be objectively verifiable truths based on measurable data and observations, while fictions are seen as stories, visions, and plans for the future that are (as yet) outside the realm of reality. This distinction seems clear, but in reality, facts and fictions often merge and have a complex relationship within organizations—among other things, through the framing that gives meaning to both facts and fictions (Vahinger, 2013; Appiah, 2017).

In many cases, for example, organizations need a vision or an inspiring story to shape their plans and projects for the future. Such a story acts as a compass for the organization, offers perspective to employees, motivates them, and sets them in motion. Solid visions and stories may start out as fiction, but at the same time form the basis for creating facts that are still fluid in the future. In other words, organizations often first have to create fiction in order to then convert it into facts (Witteveen, 1988).

It is important to realize that the word "fiction" can have two meanings. We often tend to contrast a concept such as fiction with words such as truth, reality, or fact: fiction is untrue, fictions are not reality, fictions are not facts. Those who view 'fictions' disapprovingly prefer to talk about 'illusions', 'myths' or 'lies' instead. And that is *not* what the auditor is talking about...

But on closer inspection, this does not do justice to the other meaning that the concept of fiction also has, namely that of a mental construct: something that has been devised or agreed upon, which is a product of our interaction. Those who prioritize this 'constructive' meaning of the word 'fiction' will of course never completely lose the associations with pretense, but that is not a problem. It is interesting to note that fiction in this sense stands for something that is invented but has since become 'true' (Witteveen, 1988).

An appealing example is legal fiction, for example that citizens may be expected to know the law or that companies can participate in legal transactions as persons. Or consider the economic fiction that a banknote symbolizes something else that is objectively valuable, such as gold. These are fictions, but their effects are real.

In that sense, a fiction is not the same as a lie, because it is not intended to deceive anyone. On the contrary, we need them, even though they only work under the condition of 'willing suspension of disbelief'. Fictions are not empirical in the classical sense of the word, they are not facts that can be observed, but they are social constructs that (for example, because they are laid down in law and/or have negative consequences if they are not enforced) are very real in their effects. Anyone who goes against the idea that every Dutch citizen is expected to know the law or refuses to pay taxes as a resident of our country will quickly notice this.

Fictions thus exist in the twilight zone between what is true and what is not. In our mutual

interactions, they enable us to act on the basis of unspoken assumptions, which are based on 'common sense' and which are not intended to be questioned all the time.

The practice of auditing is also riddled with fictions. When you think about it, the entire profession is built on a fiction, namely that the truth can be found by collecting facts and testing them against a standard in order to arrive at a judgment—and that this can be done in an objective and neutral manner. This is a construct: invented, but 'true' because/as long as it is still accepted as 'common sense'...

Audit as a 'framing contest': controversial and undeniably true

The fact that the interaction between the auditee and the internal auditor involves a 'framing contest' (a battle for image and meaning) may be controversial for some, but it is nevertheless undeniably true. The choice of scope, focus, and timing of the audit investigation makes framing inevitable, as does the choice of a particular wording or the expression or concealment of a particular risk assessment.

Like auditees, auditors must also find a balance between what they do and do not communicate and the standards that apply in terms of integrity and objectivity. This requires not only a deep understanding of the subject matter and the stakeholders involved, but also constant self-reflection on the impact of the frame chosen (consciously or unconsciously) by the auditor and auditee and the fictions we consider to be valid here.

It is essential to realize that internal auditing is essentially about human interaction. This may seem like a trivial observation, but its consequences are certainly not. It has significant implications for how we view the work of auditors and their interaction with the auditee. On both sides, behind the professional lies a person; a human being with their own biography, education, perspective, attitude, professional opinion, behavior pattern, view of reality, and so on.

Moreover, precisely because they are human beings, both the internal auditor and the auditee have to deal with 'shortcuts' in their thought processes when making observations, judgments, and decisions, which can be both helpful and hindering. Both auditors and auditees are subject to 'heuristics' and 'biases': cognitive mechanisms, subjective judgments, and decision-making rules that every individual falls back on when making decisions. Sometimes these mechanisms lead to effective and efficient decisions in uncertain and complex situations, which we call heuristics. In other cases, they lead to psychological pitfalls, known as biases, which cause systematic errors (Kahneman, 2011; Kahneman & Tversky, 1979).

Internal auditors must be constantly alert to biases, both in others and in themselves. Since auditing revolves around testing and judging others, a high level of critical thinking and self-reflection is essential. Contact with auditees also presents specific challenges, as auditees are human beings too. They may consciously or unconsciously engage in deception, for example if they want to avoid losing face or suffer from overconfidence.

From truth-finding to truth-connecting

It is at best a (albeit functional) fiction to think that the truth can simply be found, as should be clear after reading this research report. In reality, there are multiple truths. The auditee usually thinks they are telling the truth, but they are certainly not the only one. The auditor can help to avoid simply judging what is right (and therefore true) in that plurality, but rather help to establish a relationship between what one party sees as the truth and what the other party considers to be the truth, in search of what can be considered a shared truth.

Incidentally, this still involves the question of what the relevant facts are, but in the case of the auditor, it also involves the question of what appropriate standards are for testing those facts, i.e., as a yardstick for assessing what has (or has not) been observed. This concerns the truth about what is going well and what is going wrong, about what can be considered a success or, conversely, a failure, where a warning is unnecessary or, conversely, a compliment is appropriate, where encouragement to change is needed or, conversely, continuity should be pursued.

The auditor's task is not to scrape off the wallpaper to reveal what lies behind it, but to help build and manage the house, in which case a connection must inevitably be made between the world in front of and behind the wallpaper. The role of the auditor in this process is not that of a truth finder but of a truth connector. Connecting truths is of great importance because it forms the basis for responsible decision-making and risk management.

The auditor & accurate picture: beyond 'truth blindness'?

The perception of what is 'true' in audit practice varies, depending on the backgrounds and perspectives of those involved. Moreover, 'true' is not always a question of yes or no, or right or wrong. More often, it is a question of bridging different perspectives and interpretations. The solution then lies in targeted communication, mutual understanding, and recognition of the impact of heuristics and biases in each other's assessments.

In that respect, the term 'misleading' is a multifaceted and layered concept. Internal auditors strive to provide third parties with 'a true and fair view' of reality, but their own actions may also be unintentionally biased and contribute to misleading others. The jargon used by internal auditors to describe scope and focus may create technical clarity among fellow professionals, but it cannot be ruled out that it may mislead the reader of the report.

Auditors also make choices based on professional considerations when presenting their findings, for example in their use of colors, but it is possible that outsiders may unconsciously and unintentionally get a different impression or interpret the colors differently. The timing of the audit or the moment at which the audit report is published also leaves room for (unintended) biases in the perception.

In addition, auditors may try to paint 'a true picture of reality' as accurately and precisely as possible, but t h e y are undeniably part of that reality and the game that is played within it. Their presence and the way they ask questions mean that their role is anything but innocent. And despite all the measures that

are intended to produce an unambiguous audit report, the use of this audit report can be placed in such a context that it evokes other images. In short, even in the pursuit of a 'true and fair view of reality', the work of the internal auditor cannot be viewed separately from biases and the resulting forms of deception.

Dynamics of interaction between auditor and auditee

In our opinion, it is most productive to consider truth connection in a world full of facts, fictions, and frames in the dynamics between internal auditor and auditee.

Take, for example, the auditee who wants to hide information to prevent negative findings, while the internal auditor tries to form a balanced judgment. Such a situation can lead to a power struggle and interaction that takes the form of confrontation and conflict. An attempt to deliberately mislead the auditee can seriously damage the internal auditor's trust. If one party suspects that the other party is acting dishonestly, this can lead to an atmosphere of mistrust and hostility. The internal auditor may then try to gather confirmatory evidence to expose the deception, while the auditee may try to destroy or conceal evidence. This can result in a cat-and-mouse game. In such a situation, exposing deception can damage reputations and lead to the credibility and integrity of the parties being called into question. The only complication is that, in practice, such malicious intent is not always present, as it turns out. Often, the situation is much more nuanced. Deception and self-deception overlap, and the deception is not necessarily conscious but (also) unconscious.

Organizations and individuals can (also) deceive themselves, consciously or unconsciously. See the

results of our research. In that respect, the idea that the best deceiver is the one who believes their own stories is intriguing. This refers to the idea that people sometimes become so deeply immersed and entangled in their own images and perceptions that they sincerely regard beliefs that others qualify as deceptive as truth. They justify their own behavior and choices on the basis of (self-deceptive) convictions, even though there may be convincing evidence to the contrary.

It is very important to determine whether auditors and auditees are deliberately lying or whether they are unconsciously deceiving themselves and others. Consider, for example, judgments about the progress of long-term IT projects or ambitious ESG ambitions. Belief in such plans, visions, and narratives can serve to motivate employees, prompt action, and justify choices.

This brings us to the heart of the discussion about internal auditing in a world full of facts, fictions, and frames. For example, is it justified to accuse organizations (and their management and employees) of deception when they present bold visions of the future that are not fully realized later on? Should an internal auditor report on this in an exaggerated or understated manner if it increases the impact and contributes to the future-proofing of the organization?

It is clear that there is no single answer to questions like these. The complex relationship between facts, fictions, and frames requires a nuanced approach. It is important to recognize that organizations are often driven by the need to innovate, inspire, and motivate. At the same time, it is essential that there is transparency and that accountability and responsibility are given for the images that exist in order to ensure that (in the words

of the accountant) a 'true and fair view' of truth and reality can be created.

Internal auditors play a crucial role in this endeavor. They must examine organizations, make assessments, and ensure that truths are connected, on the path to honest and responsible conduct. It is also important that internal auditors show understanding for the challenges organizations face in creating a vision for the future. The ambiguity that the combination of facts, fictions, and frames evokes in organizations reflects the complexity of human nature and the dynamics of organizations. Understanding this relationship and managing its risks is a constant challenge.

Situations and strategies can vary greatly in this regard: there may be deception to deliberately conceal the truth, but there may also be self-deception, where what one person considers to be true is strongly questioned by another. Each of these situations and strategies has its own advantages and disadvantages and can also evolve over time.

Important to our idea of truth connection by the internal auditor is to first better understand the dynamics that such game situations evoke. This can then serve as a basis for adding new complexity in the future. We outline how this can be given concrete form in the last chapter of this research report.

The magic of deception: the game between auditor and auditee

Schneider (2023) argues that deception has a bad reputation, but in some cases it is certainly acceptable in society, namely when the advantages outweigh the disadvantages. Art, for example, makes wonderful use of deception – precisely with the aim of revealing truths in a way that the factual description of our reality is incapable of (see also Bettelheim, 1975).

According to Schneider, we are often unaware of the lies we tell ourselves, and art can hold up a mirror to us. The artist who creates fiction and the user of it have a social contract within which the lie is accepted. The writer combines truths with fabrications to create a coherent story, perhaps idealized. Insight where it rubs. Exposing identity and self-lies.

As soon as the truth is claimed (see, for example, the wonderfully ironic study: Die Wahrheit uber Hans und Grattel by Hans Traxler), a lie is seen as deception or as a betrayal of this social contract. This social contract is temporary because of the temporary nature of the benefits (until the book is finished; Sinterklaas for children).

These insights can also be applied to the professional practice of the auditor. Consider the auditee or auditor who exaggerates their story, making it slightly worse or better than the facts currently justify, with a view to the future of the organization. This can give rise to a misrepresentation of the situation, but it can also bring about the change that is needed in the organization at that moment...
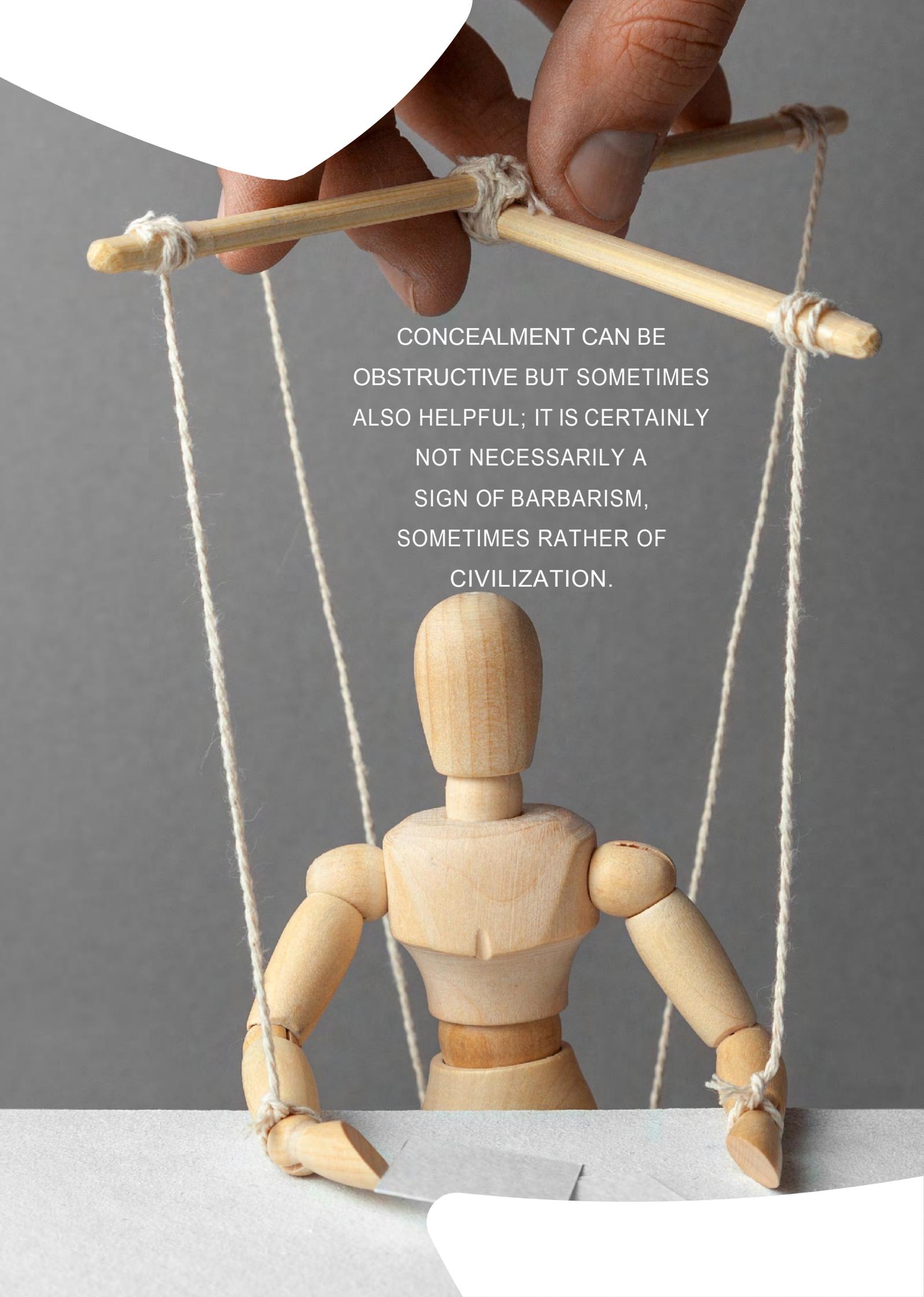
CONCEALMENT CAN BE
OBSTRUCTIVE BUT SOMETIMES
ALSO HELPFUL; IT IS CERTAINLY
NOT NECESSARILY A
SIGN OF BARBARISM,
SOMETIMES RATHER OF
CIVILIZATION.

10 Task for the auditor: think through what constitutes 'good work'

Internal auditing: an important and unique profession

Internal auditing is an important profession, and also a special one. Essentially, it revolves around conducting thorough investigations with the aim of contributing to risk management within an organization, so that management can rely on their 'in control' status and provide additional assurance to directors and supervisors. There is no doubt that a high level of professionalism is required for this.

The profession of internal auditor is therefore not accessible to everyone; professional competence is a prerequisite for fulfilling this role in authoritative organizations (cf. Driessen & Molenkamp, 2008). Precisely for this reason, there are specific professional rules, professional codes of conduct, professional associations, and, last but not least, protected titles in this sector.

At the same time, it is important to realize that rules, guidelines, and conditions do not fully define or determine the professional practice of auditors (cf. Van Twist & Breedveld, 2018). On the contrary! In practice, there is considerable scope (and also a great need) for audit professionals to make their own assessments and choices in the performance of their work that are appropriate to the specific circumstances at that moment.

Internal audit & delivering good work

There is little confusion when it comes to the question of whether audit professionals strive to do good work. Work is done with the intention of delivering good work. Unfortunately, the follow-up question of what 'good work' actually is is considerably less easy and unambiguous to answer (Ruijters et al., 2015).

The question of when an internal auditor has done 'good work', especially when operating 'in a world full of facts, fictions, and frames', still causes quite a bit of discomfort. Wanting to deliver good work is one thing, but being clear about what that entails is apparently something else entirely. It was not uncommon for the conversations we had with internal auditors about this as part of our research to end with the admission: 'that question is so basic that I should actually have an immediate answer, but unfortunately that is not the case'.

This is not surprising (cf. Ruijters et al., 2015). For example, it makes quite a difference who is asked for an opinion: colleagues, auditees, clients, management, supervisory bodies, third parties—people who benefit from or are harmed by the audit work. It is also important which standard is chosen to assess the facts: relevance of the choice of audits, efficiency in implementation, legitimacy of the findings and opinions, support within the organization, contribution to the organization's goals, approval from the outside world, and so on. [4]

4 See also the GIAS: "Statement of Purpose: Internal auditing enhances an organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight."

Of course, it is a pleasant experience for everyone involved when the internal auditor does a good job, when their professionalism is recognizable and even palpable. But that is not easy. And the complexity of the assessment of 'good work' deserves extra nuance in the case of internal auditors, who are often attracted to impossible assignments: audit work involving conflicting standards and values and conflicting facts that need to be reconciled.

When audit professionals are pressured to formulate an answer to the question of how they know they are doing a good job, two types of answers often come up: 'I decide that myself' (even if that no longer formally fits with the GIAS) or the alternative: 'if the client is satisfied'. It remains human work, although it is now clear that, particularly in the audit profession, assurance and anchoring still lie partly outside the profession: in the professional standards, in the rules and guidelines that apply to the practice of the profession and to the competence of the auditor, whereby it is clear that the new professional standards of the IIA explicitly require coordination with the board and (senior) management in relevant decisions about the selection and execution of audits.

Now, it is not necessarily a shortcoming that it is still quite difficult for internal auditors to determine what constitutes good work. In a sense, it is rather a sign of strength: it is precisely when the answer is not immediately available that there is room for reflection and consultation, to think about the question and what answer would be appropriate at any given moment and in a given situation. Sometimes the answer destroys the question, and it is more important to ask the right questions than to quickly formulate a 'sufficient answer'. Discomfort can also be productive in this regard.

Framing and defining an important and special profession such as ours with rules and guidelines may be liberating for beginners, but it usually feels restrictive and obstructive to experienced professionals. At the same time, the opposite does not necessarily help us either: unlimited space can feel liberating, but not knowing when you are doing your job well and having little guidance can also be experienced as oppressive (a professional vacuum).

All in all, this leads us to the conclusion that, in concluding this study, we should not so much create a set of rules and guidelines, but instead can and should provide guidance to help audit professionals examine their own quality and determine, in consultation with others, what constitutes good work in this field.

From relying solely on standards to finding guidance through discussion of professional situations

Defining what constitutes 'good work' has something tragic about it: it suggests that good work can simply be defined and framed, whereas what is good is actually always determined by the situation.

The dilemma here is that, on the one hand, it is important for audit professionals to have the freedom to make their own judgments. But on the other hand, it is of course also important that those judgments are made in consultation with colleagues and stakeholders—in order to (continue to) determine whether those judgments are correct and appropriate. In that sense, professionalism here is something that is both individual and collective in nature (Ruijters et al., 2015); it is therefore about personal responsibility, but also about daring to be accountable to others.

Whereas professional practice is characterized by the uniqueness of each situation, its framing through rules and guidelines focuses on that which is context-independent and therefore applicable in all kinds of situations. Documentation concentrates on the 'laws' that underlie variation in practice, from the point of view of clarity and predictability. Practice, on the other hand, is characterized by ambiguity and ambivalence. Whereas professional standards exclude people from the equation, in practice, human work is central. Art is precisely about (here again!) bringing both truths together in a productive way.

Professional development thus becomes a matter of searching for situational wisdom, making contingent judgments, sharing dilemmas, reflecting on one's own heuristics and biases, and connecting truths. In our opinion, guidance cannot be found here in (clean) paper standards

but in (muddy) practices, in shared experiences, common ambitions, images, or stories. And these are formed in interaction, with a constant alternation of writing down and erasing, of recording and breaking open, of creating and dismantling. Never finished, never done.

In that sense, 'good work' can be linked to individual but also collective insights. It is not only about an internal auditor knowing for themselves that good work is being done, but also about others (a collective of colleagues) recognizing this. Without any reference points, this becomes difficult. It does, however, require the formation of a different kind of guidance: not in professional standards in the form of rules and guidelines or protocols, but through good conversation—about critical professional situations on the basis of which dilemmas can be shared, with opportunities for personal and professional development.

Follow-up: space for reflection on the question of 'good work'

Our proposal would be for the professional association (IIA), in addition to the existing forums and consultations, a structured format could be developed to enable audit professionals to discuss what constitutes 'good work' – particularly at the fringes of the profession, where practices are no longer easily captured in rules and guidelines and complex considerations come into play, where the truth cannot simply be found, but must be discovered through mutual connection. We believe that this cannot be rule-based, but only principle-based; through interaction focused on learning and development, on reflection and creating space for dialogue.

In our opinion, this can be achieved through a simple four-step process:
1) Select a critical professional situation that relates to your own audit practice and that allows you to make a connection with your own experiences and insights.
2) Discussing that critical professional situation in a group (preferably with a limited number of participants, for example, four or five), focusing on circumstances and considerations and strategies of deception that those involved may or may not use.
3) Joint reflection on the story that emerges from the interaction, with particular attention to dealing with (conscious and unconscious) biases in the formation of judgments and the choice to disclose or conceal them.
4) Linking to standards, rules, and guidelines that apply to the profession of internal auditor, for professional development with a repertoire of actions that is not rule-based but principle-based.

In order to experience difficult dilemmas in the profession, it is important to link them to concrete case studies. By discussing these in small groups, it is possible to connect them to one's own experiences in professional practice. In other professions, intervision systems are often used for this purpose.

Elements of gamification can also be used in the elaboration of this, for example, a basis of short case descriptions, questions to ask about them, and a set of rules on how to structure the discussion. For inspiration, see, for example: https://ooa.nl/professionaliseren/de-boks-in/

In addition to engaging in dialogue with other auditors, an internal auditor can, of course, also reflect independently on the question of what forms of (self-)deception play a role in their daily practice. This can be done on the basis of the case studies provided, but also on the basis of B-ray measurements (Nuijten et al. 2024). What biases manifest themselves in the context of the audit object? And how could the internal auditor take this into account during an audit (e.g., by integrating standards to uncover these biases)? What helps is the realization that auditors, as relative outsiders, see some biases more clearly than auditees (e.g., the status quo bias, the near completion effect, the mum effect, the planning fallacy, and the sunk cost effect), but that the opposite can also be true (insiders, for example, are more likely to recognize affect heuristic, group think, and the student syndrome).

Professional development of the auditor: critical professional situations

As a first elaboration of the above proposal, we outlined four critical professional situations that we believe need to be discussed, because they make it possible to explore difficult dilemmas about what constitutes 'good work' in mutual conversation.

For convenience, we have organized them here in a two-by-two matrix in which the basic dimensions are that there is room for both the auditee and the internal auditor to behave (consciously or unconsciously) in a misleading manner with regard to

what they themselves consider to be the truth. They can do this by concealing matters, but also by revealing them. Note that revealing is not the same as showing the truth—revealing can also be misleading, for example, if certain matters are strongly emphasized, causing other matters to fade into the background.

Based on this initial classification, four types of cases can be distinguished, which we will briefly discuss below and which have been discussed in the context of our research using the four-step system described above:

Dynamics of truth connection		Internal auditor	
		Discloses	Conceals
Auditee	Conceals	Case study: **Long-term ESG projects** Issue: Does it matter what bias underlies concealment by the auditee? For example: **planning fallacy or self-justification?**	Case: **Disclosure of cyber risks** Issue: Does it matter what bias underlies concealment by the auditor? For example: **illusion of control or mum effect?**
	Discloses	Case: **Sharing painful/personal struggles** Issue: Does it matter what bias underlies the auditor's concealment? For example: **affect heuristic or bias blindness?**	Case study: **Recovery time for organizations in crisis** Issue: Does it matter what bias underlying disclosure by the auditee? For example: **anchoring effect or ostrich effect?**

Case discussion: Long-term ESG projects

Critical professional situation: An organization has a long-term ESG project (or IT project) that is not yet yielding concrete results. The auditor and the auditee disagree about what is true. The auditor observes "disappointing results" and "delays in progress." The auditee believes that 'preparatory actions' are being taken and 'conditions are being created' that will bring ambitions within reach in the future through accelerated realization.

Deception strategies: The auditee paints a rather rosy picture of the future, trying to focus attention on hopeful signs for the future and pushing information that provides insight into the current situation into the background. Furthermore, there is a lot of veiled language and manipulation of timing, for example by attempting to delay the investigation. The internal auditor considers this to be concealing behavior on the part of the auditee and believes that the deception must be revealed, although there is also an awareness of the extended time horizon and the associated uncertainties about what is currently true.

Reflection space: Attempts by the auditee to conceal what is true in the auditor's perception may be conscious or unconscious, may be an attempt to deceive the other party, but may also stem from self-deception. Moreover, they may be based on very different biases. For example, it is conceivable that attempts at deception in this case are prompted by the planning fallacy (optimistic project estimates) but also by self-justification (justifying previous actions and decisions to yourself, but possibly also to others). This may well influence the judgment that the internal auditor wants/can make about the project.

Repertoire of actions: Our discussion of this case with internal auditors reveals that they choose a different tone/frame in the report depending on the assessment made here of what might explain the auditee's position. A broader assessment also plays a role here: what truth from the auditor as a 'countervailing power' actually helps the management of the organization and its environment?

Case discussion: Disclosure of cyber risks

Critical professional situation: Significant cyber risks have been identified within an organization, requiring disclosure of the audit report on this matter to, for example, the (political-administrative) management of an institution or a supervisory authority on behalf of (some of) the financiers. There is little difference between the auditor and the auditee in their views on what is true, but there are concerns about the harmful side effects of unfiltered disclosure, both for the organization and for society at large.

Deception strategies: Not only the auditee but also the auditor is inclined to act somewhat covertly in this regard. Although in general the advantages of (increasing) transparency are immediately endorsed (learning and improving), the assessment is that in this case they do not outweigh the undesirable effects that this would cause. A conscious decision is therefore made about the desired level of detail when presenting the information, not only because malicious parties could take advantage of it, but also because it could damage trust in the organization.

Reflection space: Attempts by the auditee and auditor to conceal the truth from the outside world may be conscious or unconscious, may be an attempt to mislead the other party, but

also stem from self-deception. Moreover, they can be based on very different biases. For example, it is conceivable that attempts at deception in this case are prompted by the 'illusion of control' (we'll get this sorted out in the meantime) but also by the 'mum effect' (I can see that things are going wrong, but I'm keeping quiet about it). This may well influence the judgment that the internal auditor wants/can make about the project.

Repertoire of actions: The auditors we spoke to about this case want to be transparent, but at the same time they want to avoid unintentionally damaging their own organization or disrupting their organization's relationship with its environment. As a result, sensitive comments sometimes shift from formal written reports (which could be distributed externally) to informal verbal reports. The paradox here is, of course, that (increasing) transparency can result in the more sensitive audit findings being hidden from the outside world even more than before.

Case study: Sharing personal struggles in confidence

Critical professional situation: An audit is underway within an organization, which reveals that the situation described in the project documentation does not correspond at all with the situation encountered by the internal auditor. The project leader is open and honest when confronted with this. He confides that he is personally struggling enormously with what is going on and that it is causing him to lose sleep. The internal auditor assesses that a critical judgment will lead to the project leader becoming overwhelmed and leaving, and to further delays in the progress of the project.

Deception strategies: The auditee reveals personal information that the internal auditor cannot really use. At the same time, it does offer (new) insight into the impact of his own actions, whereby openness does not automatically serve the interests of those involved and the organization.

Reflection space: Attempts by the auditee to reveal some truth to the auditor may be conscious or unconscious in this case and may even be an attempt at deception, hoping to trigger affect heuristics (the auditor bases his or her choice on current emotions) in the auditor. In this case, they may also stem from self-deception, in this case bias blindness (blind spot for prejudice). The basis for this can therefore be formed by very different biases. This, in turn, can make a difference to the internal auditor's assessment of the project and how revealing the report will be.

Repertoire of actions: The auditors we spoke to about this case believe that the personal confession – even if made in confidence – could give rise to an additional finding, which could be positive or negative for the person in question, depending on what is in the best interests of the organisation (as an expression of a broader social interest). The difficulty is that both the choice to 'conceal' and cover up information obtained in confidence and to 'name' and thus disclose it can turn against the internal auditor.

Case study: Recovery time for an organization in crisis

Critical professional situation: An organization has been in crisis for some time. The media is reporting extensively on everything that is wrong. A loud call for intervention has not only brought about improvement. For example, there is a very large deployment of agencies that are profiting from the situation and putting a lot of pressure

on current affairs, leaving little time to put the going concern in order.

Deception strategies: The auditee is open and honest, revealing not only what has gone wrong in the past period, but also making it clear that there is no time for recovery to implement improvements due to all the commotion. The internal auditor would like to offer the auditee the necessary peace and space, and knows that another critical audit report will not contribute to this. The consideration now is how sharply findings and conclusions should be written down and whether it would be helpful to highlight some initial hopeful signs for the future.

Reflection space: Attempts by the auditee to reveal what is true to the auditor and the outside world can be conscious or unconscious in this case, can even be an attempt at deception (anchoring effect: choosing a fixed reference point for decision-making) or stem from self-deception (ostrich effect: burying your head in the sand). The basis for this can therefore be formed by very different biases. This can make quite a difference to the judgment that the internal auditor wants/can make about the project and how revealing and how concealing the report will be.

Repertoire of actions: Our discussion of this case with internal auditors reveals that there can be quite a bit of variation in the tone of the report: judgments can be written in a subdued manner, but they can also be sharply worded. It depends on the sense of urgency within the organization and whether that needs to be fueled or not. In any case, it is important to also ask which interests are being taken into account: only those of the direct stakeholders or also those of other stakeholders within and outside the organization. There may be tension between the two.

Conclusion: deception as a driver for professional development?

Finally, it certainly helps the further development of the audit profession to use professional standards as a basis for discussing critical situations in which rules and guidelines do not provide a definitive answer and only joint reflection can point the way forward. But that is not all. It is also important to think carefully about the role that deception actually plays in the development of the profession. That was precisely the reason why the IIA conducted this study.

We often tend to think rather negatively about deception and concealing behavior. It's actually just like hypocrisy: many people associate it with sanctimony and don't immediately see the positive side of it. And yet, in an organizational context, it can sometimes help to keep up appearances—this insight will be immediately clear to anyone who has ever wallpapered their own house and therefore knows exactly which imperfections need to be quickly repaired or hidden behind a pretty picture to withstand the critical gaze of in-laws and other critical audiences...

To put it in very practical terms: internal audit practice of (self-)deception has led to new tools for identifying it and, from there, to increasingly advanced audit practices for identifying forms of (self-)deception and dealing with them productively. It is now clear that internal auditors are less adept at identifying some biases than those directly involved in projects, but are able to identify other biases more sharply (cf. Nuijten et al., 2024). The internal auditor can use this to their advantage as a truth connector and engage in dialogue within the organization to show what forms of (self-)deception are at play and how they harm the organization or, conversely, contribute to its success.

Deception can be annoying, but it can also be seen as something that sometimes helps. It is not without reason that deception is a widespread phenomenon that occurs at all levels of life, as Trivers (2014) shows in his wonderful book. It manifests itself in parasitic relationships between animals, predatory behavior in ecosystems, and social interactions between organisms. Deception and self-deception also play a major role in human interactions, and therefore also in audit practice. Countermeasures are being developed to control this, but in the meantime, deception continues to evolve to prevent disclosure. The ongoing struggle between deceivers and those who are (or are at risk of being) deceived has led to the evolution of increasingly sophisticated life forms, with adaptation on both sides. And this applies just as much to our professional practices: concealing and revealing what is (or may be) true is an ongoing process – and this is not a sign of advancing barbarism but of civilisation, not an expression of decline but of progress.

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