



AUDIT OF ETHICS IN PUBLIC SECTOR ORGANISATIONS

Guideline

EUROSAI

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Foreword

Supreme Audit Institutions aim at promoting good governance in the public sector, thus contributing to reinforce stakeholders' trust.

In order to effectively hold governments and public bodies accountable for a good use of public resources, a Supreme Audit Institution (SAI) must conduct all its activities in accordance with the fundamental principles of independence, transparency, ethics, quality and accountability. Leading by example, an independent and professional SAI should apply the same principles that it expects to be followed by the audited public sector entities.

In this context, enhancing the ethical framework of SAIs is crucial for them to pursue their role in an effective manner. Moreover, in an environment more and more conducive to a whole-of-government approach and to a wider consideration of the several components of good governance, SAIs are increasingly expected to assess the public sector systems and policies to prevent conflicts of interests, as well as corruptive and fraudulent practices. Thus, looking into ethical frameworks and to the application of integrity policies may be integrated in their audit work.

EUROSAI established the **Task Force on Audit & Ethics (TFA&E)** as an instrument to, among other aspects, promote the relevance of ethical conduct in public organisations.

In the period 2012-2014, in this specific area, the Task Force surveyed SAIs about their practices in auditing ethics related issues and published the paper "*Auditing ethics in the public sector- A general overview of SAIs' practices*".

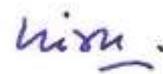
During 2014-2017, to implement the goal "*Promote ethical conduct in public organisations through the SAI's audit activities*", the TFA&E mapped and studied existing research, methodologies and experiences in the field of auditing ethics related issues. The TFA&E also undertook a strong cooperation in this area with SAIs from other Regions (Brazil, Costa Rica and AFROSAI-E), with IDI and with external partners, such as ECIIA, OECD and experts from the Council of Europe and the University of Leuven. Based on the conducted research and exchange of experiences, the TFA&E presents now this guideline.

The document contains guidance; examples and information, meant to facilitate that SAIs wishing to conduct audits of ethics find useful direction and advice. A web-based version of the guideline will be available soon in the TFA&E website, providing a more user-friendly consultation and links to the reference documents. This version will be an open document that can be further enriched with the ideas, experiences and lessons learned by SAIs as they implement it. The Task Force expects the information provided in this respect to be of use and interest to SAIs

I deeply thank all the members of the Task Force for their kind contributions to draft this guideline and particularly to the Netherlands Court of Audit for coordinating the project to prepare it.

By delivering this guideline to SAIs, we trust that the TFA&E strived to its purpose to be useful and innovative. We very much hope it will add value to SAIs and their leadership and staff and, consequently, to the citizens they serve.

May 2017



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1. INTRODUCTION

This guideline provides Supreme Audit Institutions (SAIs) with practical guidance on how to conduct an audit on ethics or ethics related issues in public sector organisations. It is the result of the research work of the EUROSAI Taskforce on Audit and Ethics (TFA&E). This work was based on experiences of SAIs and other organisations.

Ethics and ethical behaviour of public sector entities and their representatives are fundamental for citizens to trust them. Robust ethics in the public sector is an important counterbalance to fraud and corruption. Ethics has also significant influence on the successful achievement of goals, mission and vision of public sector organisations, necessarily driven by public interest. Thus, when SAIs include ethics in their audit scope and objectives, they contribute to strengthen good governance of the public sector and its entities (INTOSAI GOV¹ 9100-9160).

Audit of ethics is a new type of audit for SAIs. It complements the financial, compliance and performance audits that they usually perform.

This guideline highlights the specific approaches, examples, tools and methods that SAIs can use in auditing ethics. It is in line with ISSAI² 5700 (guideline for the audit of corruption prevention in government agencies).

1.1. Why should SAIs audit ethics?

Ethics, integrity and transparency of state officials and civil servants' actions have become a growing focus of public attention. Numerous scandals related to corruption, illegality or lack of professionalism justify the prominent role of these issues in many countries. At the same time, the reform and modernisation of state administration and public management and the increasing democratisation and openness of societies allow and claim for the development and strengthening of ethics' structures and management in the civil service. Thus, ethics turns out to be a required part of the good governance and performance of public sector organisations.

In such circumstances, ethics and ethics management present themselves as important topics for auditing.

¹INTOSAI GOV: *INTOSAI Guidance for Good Governance*. Please refer to the future *INTOSAI Guidance (GUID)*

²ISSAI: *International Standards of Supreme Audit Institutions*. Please refer to the future IFPP: *INTOSAI Framework of Professional Pronouncements*-

1.2. What is an audit of ethics?

An audit of ethics is a process used to evaluate several dimensions of the ethical conduct of an organisation.

It assesses how well (or poorly) an organisation conforms to agreed benchmarks of ethical standards. It addresses the ultimate responsibility and corresponding accountability of the organisation's leadership to promote and ensure that its management at all levels and its staff behave in an ethical way and, by doing so, refrain from acts of fraud and corruption. It may include assessment of 'soft' elements (like tone at the top and tone at the middle) as well as 'hard' elements (the codes and procedures established to stimulate monitor and reinforce ethical conduct throughout the organisation).

1.3. Objective of an audit of ethics

An audit of ethics looks at the overall ethical health of an organisation or part of it.

This health depends on formal and informal factors that conceptualise and materialise the philosophy, approaches, ethical behaviour and management of an institution. It distinguishes between the ethical program (formal rules), ethical environment (climate/values) and integration with management systems. An audit of ethics does not assess the ethical behaviour of individuals. Neither is it aimed at detecting or investigating (suspicions of) wrongdoings, such as fraud or corruption. This is the field of special or forensic audits.

1.4. Purpose of an audit of ethics

The main purpose of an audit of ethics is to strengthen ethics management and ethical conduct in the public sector and to ensure good governance.

An audit of ethics may be of use if there are specific issues or (perceived) risks that need to be addressed. These may be behavioural issues; leadership issues; system issues; integrity incidents, etc. In these cases an audit of ethics can:

- (1) Identify areas of concern;
- (2) Evaluate the extent of any perceived problems;
- (3) Suggest ways forward by which these problems can be tackled (implementation of new regulations; ethics training; etc.).

However, an audit of ethics may also be conducted in an organisation that has no concerns whatsoever. In this case it can:

- (1) Act as an ethical 'health check';
- (2) Identify existing good practice;
- (3) Further strengthen the organisation.

1.5. Main types of audit of ethics

Generally there are three types of audit of ethics: compliance audits, cultural audits and system audits.



Compliance audits are the least comprehensive ethics' audits. In these audits, the auditor determines the degree to which the entity's ethics program meets the standards set forth in applicable law, regulation and policy, and the degree to which organisational and individual behaviour satisfies the requirements of that program. At the most basic level the audit shows how well an organisation meets (or exceeds) standard compliance requirements, e.g. a code of conduct; protocols; protection for whistle-blowers. However, the existence of such mechanisms does not ensure adherence to them.

Cultural audits explore how employees and other stakeholders feel about the standards and behaviour of the organisation. This type of audit assesses perceived priorities and ethical effectiveness of individuals, groups, units or the organisation as a whole. Organisational culture is frequently defined as "*the way we do things around here*". Ethical culture can have a substantial impact on numerous aspects of the performance of an organisation. There are no standards for this type of audit and they are notoriously difficult to design. Therefore, they are very rare and are usually limited to an assessment or descriptive studies.

Systems audits assess both compliance and culture as part of a bigger whole; the degree to which the ethical principles, guidelines and processes of the organisation are integrated within the organisational system and how this is managed: the *Ethics Management System*. This addresses the performance and effectiveness of the adopted integrity measures.

1.6. Role of SAIs

Supreme Audit Institutions have an important role to play in safeguarding the trust of citizens in the government and in the public sector.

Traditionally, their role is to audit the execution of the State budget, public spending and the management of public property. In this way, SAIs contribute to a good management of public money and are an important 'pillar' of *'the National Integrity System'*, as called by Transparency International. If SAIs include an ethical approach in their audit work, they further improve public sector performance, by promoting that public sector organisations conduct their activities and achieve their objectives in full respect of ethical principles.

SAIs are also increasingly expected to specifically contribute to combating fraud and corruption. Corruption undermines the trust of citizens in their governments and is therefore extremely harmful for a society. There are different ways for this to be done and the appropriate strategy depends on the specific circumstances in each country. However, by including ethics in their audit focus, SAIs can help mitigating the risks of fraud and corruption.

OECD mentions that, despite a general decline in confidence in government and legislature, *SAIs have a unique birds-eye view of government and remain one of the most trusted public institutions*³. It is therefore natural that they enhance their initiatives to help restoring integrity and trust in public service. By auditing ethics as a part of the public organisations' performance, or undertaking any other initiatives with the purpose of promoting integrity in the public sector, SAIs embody the view that ethics has real and practical implications on how those bodies achieve their mission, vision and goals.

Acting as model organisations, SAIs can add value and contribute to the improvement of ethics related management, culture, controls and governance of the audited organisation through functional recommendations and a timely follow-up. SAIs' reports are also effective in drawing the attention of Parliaments and public. By focusing on ethics and ethical management, and providing correspondent recommendations and follow-up, they would be able to effectively encourage and enhance improvement in ethics' practices and accountability in the public sector.

1.7. SAIs' mandate to audit ethics

Auditing ethics related specific subjects may be considered as a part of the main types of public sector auditing.

According to INTOSAI GOV 9100/2.1, ISSAI 1315/14 and 2013 COSO Framework, the ethical aspect is one of the relevant factors of a risk assessment and an element of the internal

³ In *Supreme Audit Institutions and Good Governance: Oversight, Insight and Foresight*, OECD, 2016

control environment of an organisation. Therefore, ethics related issues should always be considered in traditional audits, especially where the internal control environment is analysed. In financial audits, this is always an important step.

The analysis of ethical related regulations and their implementation may be subject to compliance audits. Some SAIs already do that.

On the other hand, ethics is an element of public organisations' performance and thus as a potential topic for a performance audit.

Therefore, SAIs having power to conduct financial, compliance and/or performance audits over public sector activities, don't need an explicit mandate to audit ethics or ethics related issues. The general mandate of most European SAIs provide them with a power to either audit ethics/integrity as a general subject or to include ethical issues within other audits.

Even though, many SAIs refer to ethics or integrity in their mission statements and, in some cases, SAIs have a specific mandate for this area or found it useful to include it explicitly.

1.8. Relation to other types of audit and relevant ISSAI

ISSAI 12 mentions *Strengthening the accountability, transparency and integrity of government and public sector entities* as one of the main objectives in order to meet the fundamental expectation of SAIs making a difference to the lives of citizens. Within this context, it states that SAIs should respond appropriately, in accordance with their mandates, to the risks of financial impropriety, fraud and corruption. In order to demonstrate ongoing relevance, SAIs should also be aware of the expectations of stakeholders and respond to these, as appropriate, in a timely manner and without compromising their independence.

ISSAI 100 states that public sector auditing helps to create suitable conditions and reinforce the expectation that public sector entities and public servants will perform their functions effectively, efficiently, ethically and in accordance with the applicable laws and regulations. Public sector auditing enhances the confidence of the intended users by providing information and independent and objective assessments concerning deviations from accepted standards or principles of good governance.

ISSAI 100 distinguishes financial audit, performance audit and compliance audit as the three main types of public sector audit. It also states that SAIs may carry out audits or other engagements on any subject of relevance to the responsibilities of management and those charged with governance and the appropriate use of public resources, including adherence to internal control standards. SAIs may also conduct combined audits incorporating financial, performance and/or compliance aspects.

In a financial audit, the subject matter consists of the elements that are recognised, measured and presented in financial statements. In a performance audit, the subject matter may be specific programmes, entities, funds or activities, situations, or information on any of

these elements. The subject matter of a compliance audit may be activities, financial transactions or information.

Depending on the specific subject matter and scope of an audit of ethics, such an audit may be characterised as either a compliance audit, or a performance audit, or a mix of these both main types. Accordingly, its design and execution may be inspired and guided by the corresponding ISSAIs: 300, 3000, 3100 and 3200 for a performance-oriented audit of ethics; 400 and 4000 for a compliance-oriented audit of ethics. When the audit of ethics focuses on, or includes, assessment of risk management and internal control over ethics, INTOSAI GOV 9100 and 9130 are also relevant.

Although the link between an audit of ethics and a financial audit is less obvious, ethical aspects are important in financial audits. As stated in ISSAI 200, one overall objective of the auditor in conducting an audit of financial statements is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. The auditor should identify and assess the risks of material misstatement in the financial statements due to fraud, should obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud and should respond appropriately to fraud or suspected fraud identified during the audit⁴. ISSAI 1240 provides further guidance, extending the scope of the guidance to ‘abuse’, as follows:

As stated in the INTOSAI Lima Declaration, I General, Section 1⁴ “The concept and establishment of audit is inherent in public financial administration as the management of public funds represents a trust. Audit is not an end in itself but an indispensable part of a regulatory system whose aim is to reveal deviations from accepted standards and violations of the principles of legality, efficiency, effectiveness and economy of financial management early enough to make it possible to take corrective action in individual cases, to make those accountable accept responsibility, to obtain compensation, or to take steps to prevent—or at least render more difficult—such breaches”. Public sector auditors therefore remain alert throughout the audit for occurrences of abuse. In this context, the Practice Note adds an additional definition:

• Abuse – involves behaviour that is deficient or improper when compared with behaviour that a prudent person would consider reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interests or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement. Abuse is a departure from the concept of propriety, which relates to the general principles of sound public sector financial management and conduct of public sector officials.

ISSAI 1240, Practice Note to ISA 240, P6.

⁴ This may also apply to compliance or performance audit.

1.9. Further guidance

Subject	Where to find	Content
Why auditing ethics/integrity	<i>Auditing ethics in the public sector- a general overview of SAIs practices, TFA&E</i>	<ul style="list-style-type: none"> • Reasons for SAIs to play a role in auditing ethics-related issues • Topics to be audited • Challenges of auditing ethics • Methodologies and reporting
	<i>The importance of auditing ethics for a SAI, Tzvetan Tzvetkov</i>	
	<i>Organisational performance and auditing ethics, C. Demmke</i>	
	<i>The integrity agenda; lessons from OECD countries, J. Bértok</i>	
	<i>Trust and public policy, how better governance can help rebuild public trust, OECD</i>	
	<i>ISSAIs 1, 10, 100 and 5700</i> <i>INTOSAI-GOV 9100-9160</i>	

2. CONCEPTS AND DEFINITIONS

2.1. Ethics

Ethics is the branch of philosophy that defines what is good for the individual and for society and establishes the nature of obligations or duties that people owe themselves and one another. It is embodied in the moral values of a society and individuals, guiding one's acts in a particular circumstance. Ethics vary across countries, time, cultures and organisations.

2.2. Integrity

Integrity is the honest behaviour of the individual or organisation in line with the relevant ethical values. It is the behavioural outcome of ethics. Integrity is not a simple concept to define. Many overlapping and distinct definitions are used in both the public sector and the academic literature. The term refers to something or someone that is untainted, intact and untarnished. It also refers to virtue, incorruptibility and the state of being unimpaired. Integrity is closely related to the absence of fraud and corruption, but it also entails common decency. In this way, it is a positive and broad concept, which is related to ethics and culture. ISSAI 30 defines integrity as follows: to act honestly, reliably, in good faith and in the public interest.

In this guideline, and consistently to many documents that we refer to, integrity is often mentioned with a similar meaning as ethics.

2.3. Public sector ethics/public integrity

Public sector ethics deals with ethics for those who serve in the public sector (primarily governmental and elected officials), focusing on the public whom they serve. This guides not only the individual's behaviour, but also the institutional behaviour, fitting within a framework of honesty, integrity, transparency, and focus on the common good. Ethics derives its significance for public sector due to the role of public sector to create public value and its implication to people's life. The public must be able to trust the government because it is the sole provider of many vital services. Owing to this monopoly and the public's dependence, the government must be unblemished and beyond all suspicion.

OECD Recommendation on public integrity defines public integrity as referring to consistent alignment of, and adherence to, shared ethical values, principles and norms for upholding and prioritising the public interest over private interests in the public sector.

2.4. Organisational ethics

The people who work in an organisation significantly determine the ethics and integrity of that organisation. Organisational (or institutional) ethics can be defined as: the ethical values, culture and structures that guide ethical behaviour of board, management and employees. This means that organisational ethics must be organised and managed. A configuration of values, norms and provisions to manage and uphold institutional integrity is a necessary condition for upholding organisational ethics. This is ultimately the responsibility of the organisation's leadership.

2.5. Ethical/integrity culture

The ethical culture can be defined by the way an organisation demonstrates and teaches the extent to which it regards its values. The ethical culture of an organisation shows the employees whether doing the right thing matters and motivates them to do what is expected. The ethical climate is the psychological view of the organisation, focusing on ethics related attitudes, perceptions and decision-making processes. Ethical climate and culture encourage ethical behaviour, through perceptions, commitment and satisfaction, influencing performance and conduct.

2.6. Ethics management

'Ethics management' means the planning, implementation and co-ordination of activities of an organisation for the achievement of the institutional integrity of that organisation. It is an integral part of operational management of an organisation and a responsibility of the organisation's leadership. The attention paid to ethics management must be permanent. If it is scaled down when things are going well, the risk of incidents increases. In other words, ethics must be permanently embedded in the organization and be a fixed part of the organisation's operational management and quality management. Ethics cannot be treated as a project because a project ends and is not continuous. Ethics must be a standard component in the management and policy cycle.

2.7. Ethics management system

Sound ethics management involves a well-balanced mix of actions and instruments organised as a system. Several conceptualisations have been made so far:

- ISSAI 30 elaborates it as an *ethics control system*
- Bossaert and Demke, 2005, define it as an *integrity management system*

- OECD called it an *ethics infrastructure* and later reformulated it into an *integrity framework*
- Other expressions used are *integrity control system* or *integrity management control*

All of these systems, frameworks or infrastructures comprise a structured and balanced package of policies and mechanisms (desirably under a specific strategy) designed to define, lead, guide, manage, monitor and enforce ethical conduct. The components of these systems include structure or rules-oriented actions and instruments and values or culture-oriented ones, also called as *hard* and *soft controls*. A well-balanced mix of both is necessary for good results.

Sound ethics management starts with putting the right people in the right place at all organisation levels. The final responsibility of the organisation's leadership for ethics management may be supported by various subordinate lines of responsibility: operational management (first line), specific functions supporting the first line – e.g. compliance officers, controllers – (second line), and the internal audit function (third line). Leading by example by the organisation's line management is critically important: the 'tone in the middle' – besides the 'tone at the top'. Ethically responsible individuals are the necessary basis for ethical public organisations. Audit committees may provide important countervailing power to the organisation's leadership, using both internal and external audit reports and signals. External parties like the media, trade unions, citizens, suppliers and academics may also support ethics management, through their analysis, feedback and recommendations.

2.8. Management controls (hard and soft controls)

Management literature on operational management usually speaks of 'management control' as a means to plan, steer and evaluate the organisation's strategies. Management control concerns coordination, resource allocation, motivation, and performance measurement. Management controls are elements of a management control system that enables an organisation to attain its goals. In the case of ethics management we can distinguish several specific controls. These are '*hard controls*', such as rules, regulations and measures concerning detection and sanctioning of integrity incidents. Or they can be '*soft controls*', such as moral competence building, ethical leadership, values and norms.

2.9. Internal control system

In the audit profession 'internal control' is the common concept to refer to and to assess management's responsibility. INTOSAI explicitly recognises 'ethical operations' as an element of the general objectives to be achieved through effective, 'built in' and ongoing internal control by management and other personnel.

Internal control consists of five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. Clear

objectives are a prerequisite for an effective internal control process.

According to COSO and INTOSAI-GOV 9100, the fundamental component of the internal control system, which is the foundation of the other ones, is the *control environment*. While the other components of the internal control system include systems, processes, policies, procedures and activities, the control environment mainly refers to the overall attitude, awareness and actions of those charged with governance regarding the internal control system. This is expressed, among others, in management style, corporate culture and values. The first basic principle of the control environment implies that the organisation must demonstrate a commitment to integrity and ethical values.

This means that the leadership role of an organisation should:

- Set the tone of action
- Establish codes of conduct
- Create a positive control environment where, among other aspects, all duties are performed in an ethical and professional manner, employees are encouraged to act according to the code of conduct, and an open workplace is created where concerns and comments are welcomed and actioned.

It also means that the staff maintain and demonstrate personal and professional integrity and ethical values and comply with the applicable codes of conduct at all times. In addition, public organisations have to maintain and demonstrate integrity and ethical values, and they should make those visible to the public in their mission and core values. Their operations have to be ethical, orderly, economical, efficient and effective.

2.10. Preventing corruption

Traditionally the first resort in the fight against corruption is repression. This means a rule based approach focused on legislation, detection and prosecution of corruption. However, there is more and more recognition of the fact that such a single-handed approach is not enough, and can sometimes even be counterproductive. A principle based and preventive approach, focusing on strengthening ethics and integrity in public sector organisations to foster a strong ethical environment, may contribute significantly to avoid misconduct and prevent bleeding onto the more serious fraud or corruption. This brings in new instruments to foster integrity and ethical decision making, not only to safeguard the reputation of the organisation, but also to improve the performance and effectiveness of public bodies.

3. APPROACHES IN AUDITING ETHICS

3.1. Different approaches, different results

SAIs can choose the role to play in promoting ethical conduct in public sector among a variety of possible approaches. The spectrum of SAIs' approaches reflects the wide range of activities that they can perform according to their mandates and their strategic options.

Their option and strategy will depend on the analysis they make about the importance of the subject in their specific environment, the correspondent expectations of stakeholders, their mandate and resources and the results they want to achieve.

Traditionally, SAIs conduct financial, compliance and performance audits. However, they increasingly use other types of products to complement their oversight role: investigations, assessments, reviews, studies, guidance, manuals, information seminars, reports to legislature, etc. Many SAIs go beyond focusing in assessing the work that has already been undertaken and identifying bad and good practice within administration and decide to be a source of management improvement by looking forward into foreseeable changes and trends (insight and foresight roles). Collaborative work with auditees, citizens and other stakeholders is also being increasingly used to better communicate and amplify the benefits of the SAI's work.

Whatever the approach a SAI chooses, it is likely that it will raise awareness on the importance of ethical behaviour and ethics management to ensure a good public sector governance.

In such a sensitive area, a step-by-step approach may be important both to SAIs and to auditees, allowing the public sector organisations to discover the importance of managing integrity and taking initiatives to improve it and the SAIs to develop methodologies and capacity to perform these audits. Furthermore, we have observed that some audits or other initiatives with limited scope and objectives have nevertheless produced significant impact (for example, the UK NAO investigations, which only highlight facts). This means that a SAI does not need to undertake a major initiative to play a role in this field.

The following table identifies the main approaches that SAIs can adopt in order to promote an ethical culture in public administration and the expected results for each one of them.

Perspective	Expected result	Possible SAI's activity
Identifying risks and highlighting the responsibility of public managers	Raise awareness on ethics' management	<ul style="list-style-type: none"> Disseminate the key elements of ethics management and control Encourage public organisations' self-assessment and ethics related strategies Work with other ethics or anti-corruption bodies in activities intended to promote ethical conduct
Supporting a more robust internal control system	Reinforce the ethics component of the internal control system	<ul style="list-style-type: none"> Give guidance to public organisations' internal auditors Review internal audit work Include or reinforce the analysis of the ethics component of the internal control environment in the SAI's traditional audits
Overseeing and holding public managers to account	Enforce ethical standards and ethics' defined policies (general or subject related)	<ul style="list-style-type: none"> Assess the compliance to those standards and policies, either in the SAI's ordinary audits or in ethics focused audits Detect corruption and unethical behaviour
	Improving ethics management in public sector organisations	<ul style="list-style-type: none"> Include ethics related questions in the SAI's ordinary audits Assess the existence, efficiency and effectiveness of the ethics management/control system in selected organisations Assess the ethical culture in selected organisations
Creating insight into the whole public sector integrity	Improving the public sector integrity framework	<ul style="list-style-type: none"> Conduct transversal or cross-cutting analysis and assessments Assess the existence, efficiency and effectiveness of a national ethics infrastructure/integrity framework/integrity system Identify and assess national strategies to address wide integrity weaknesses

3.2. Raising awareness activities

Ethics and ethics management are not always widely implemented or accepted as an important element of good management and the SAI may recognise the need to address that.

However, the audit of ethics is not yet a widely implemented instrument. There may be some difficulties in accommodating this approach in the SAIs' tasks as well as methodological and measurement challenges.

Furthermore, external audits on ethics related aspects performed by watchdog institutions such as SAIs, which usually make their reports public to promote accountability, can be threatening to managers and employees. They may be suspicious about the objectives, afraid that those audits identify wrongdoing and do not handle it in a confidential way and,

consequently, they may tend to provide incomplete or non-objective information. On the other hand, it is more likely that change is effective if based on internal and voluntary action.

For these and other reasons, the SAI may consider that it is not prepared to include an ethical approach in its audit activities or that there is no reason to do that. Even though, it may still want to conduct or collaborate in initiatives to raise awareness about the importance of ethics management, which can have a preventive effect in fighting corruption in the public sector.

EXAMPLE

The Hungarian SAO has decided to undertake a joint project to map integrity risks all across public administration.

It developed country-wide surveys to be answered voluntarily by public organisations, allowing to conclude about each participant's level of risk, visualized in digital „risk maps” accessible for all via Internet. These surveys are applied yearly in order to monitor improvement. By answering the survey and comparing themselves with the benchmark and with others, organisations self-assess their integrity risks and are encouraged to adopt by their own initiative the needed controls to mitigate their identified risks.

The goals of the Integrity Project are, while measuring the corruption risk level of budgetary organs, to promote their benchmarking, to change administration culture and officials' attitude, to train civil servants (role of a university) and to help governmental bodies towards an integrity approach and an effective anti-corruption policy.

Further information on this project can be found in integritas.asz.hu

Another objective of this project is to develop audit methodologies that can be embedded in the SAI's work. This way, this project was designed in steps. It did not begin with ethics audit but it can lead to it.

3.3. Audit of the internal control systems (ethics components)

As mentioned above, the internal control system of an organisation aggregates the many individual control procedures designed to provide reasonable assurance regarding the achievement of its objectives relating to the integrity of operations, reporting and compliance and incorporates the control environment. The first principle of control environment relates to integrity and ethical values.

Auditing the integrity control environment is mainly an approach to be adopted by a SAI while assessing the internal control systems in the ordinary audits it conducts. This approach has the advantage of raising no mandate doubts, of requiring no additional resources and of covering a wide number of organisations. As this analysis has always been required when conducting usual SAI's work, which is targeted at a large variety of factors, systems and operations, it is likely to have shallow depth and little impact.

One way to enhance the potential advantages of this approach is to develop an “*integrity module*” to be applied in all or many of the SAI’s audits. An example of this is the approach chosen by the SAI of Hungary.

EXAMPLE

As a development of the Integrity Project, the Hungarian SAO has built in an integrity module into its compliance audits of the budgetary organisations.

In this field, the SAO applies two types of methodologies:

Assessment of the integrity situation of the audited organisation.

This assessment is conducted when the organisation has not been involved in completing a voluntary survey about integrity. In this case, the organisation will need to answer a questionnaire with 155 questions to identify typical corruption risks and typical integrity controls. The fulfilled questionnaire becomes an audit certificate and the analysis of the answers will classify the integrity situation of the organisation. This situation is classified using a three-grade scale (outstanding, appropriate or to be improved) applied to the several indexes.

Assessment of the integrity controls of the audited organisation.

When the organisations have participated in the integrity survey, concrete audit questions are formulated to assess “soft controls” in defined areas (such as conflicts of interests, human resources management or accepting gifts or invitations). An evaluation of the control level will be made about each question group and the overall integrity control level will also be assessed.

The SAI may enhance the impact of this approach if it produces a special separate report with general conclusions and recommendations resulting from the compared analysis between the several audited organisations.

Another possibility is to collaborate with other auditors in order to reinforce the integrity control environment of public sector organisations. This approach combines a pro-active and insight attitude of the SAI with the advantage of using the work of others, avoiding audit redundancies and overlapping and saving SAI’s resources.

The experience of the SAI of Costa Rica in guiding and encouraging the work of internal auditors to audit ethics shows how this approach can be an effective initiative to have a broad perspective and induce improvement in public sector.

EXAMPLE

The SAI of Costa Rica perceived a need to strengthen institutional ethics in public sector organisations. Considering the institution has a mandate to issue standards and regulations, it decided to prepare a “Technical Guide for Conducting Audits of Institutional Ethics”. This guide comprises theoretical and technical guidance and nine practical tools to be used in ethics audits (such as a work plan, maturity model and guide for interviews). The guide is addressed to internal auditors, encouraging them to audit ethics in their public organisations in a three steps approach:

1. Start by auditing the ethical program (formal instruments established by the institution)

2. Further advancing to auditing the ethical environment (organisational climate, management styles, decision-making models, individual behaviour, verbal statements)

3. And, finally, auditing the integration of ethics as part of management systems (incorporation of ethical controls within the systems and procedures with particular exposure to ethical failure and corruption)

The internal auditors participated in the preparation of the guide and agreed to perform a complete evaluation of the 3 defined components in each organisation in a 3-year period.

The guide is elaborated in such a way that other interested parties can use it as well, such as the management of an organisation for self-assessment purposes. It can also be adapted to be used in specific areas, such as public procurement.

The SAI of Costa Rica does not perform ethics audits by itself; it relies and builds on the reports of the internal audits.

Furthermore, it has surveyed public institutions as regards their initiatives in several areas, including ethics management, and published a summary of the resulting “index of institutional performance”.

3.4. Audit of the ethics management system in an organisation or sector

As mentioned in Chapter 3, the various components and functions of an ethical environment should be conceptualised and developed into a system, comprising a structured and balanced package of policies and mechanisms (desirably under a specific strategy) designed to define, lead, guide, manage, monitor and enforce ethical conduct.

A SAI may conduct audits targeted at assessing the existence and functioning of integrity management systems or infrastructures in public sector organisations.

EXAMPLE

In 2013, the SAI of Croatia conducted an audit about the “Functioning of Ethics Infrastructure in Governmental Administration Bodies”. The audit covered specific activities related to the application of the relevant regulations, compliance with ethical values and their application in daily operations. The main goal and objectives were to assess:

-The efficiency in the functioning of the ethics infrastructures established in 20 ministries

- Whether those bodies have undertaken the required activities and developed appropriate practices to promote ethical values and ethical principles in their daily operations

-Whether the high ethical standards set for the public sector were being effectively achieved, assessing the level of their application and the actions taken in case of breaches to ethical conduct.

Audits of this type can focus on determining the existence of the adequate policies and processes and their compliance with standards but, desirably, they should also analyse the effectiveness of the adopted mechanisms. This would include assessing whether an integrity culture has been built and whether it produces the desirable results in terms of ethical conduct and its perception.

This approach may represent a challenge for SAIs. Typically, auditors work with hard controls and evidence and neglect perceptions and subjective opinions. Assessing climate, styles and behaviours requires approaches and methods that usually they are not familiar with.

EXAMPLE

In 2009, the Netherlands Court of Audit (NCA) investigated the status of integrity management at all ministries and 6 important agencies in the Netherlands, producing the report ‘State of integrity management in central government 2009’. The audit looked at preventive, detective and repressive measures – in effect an integrity management system. The audit was a follow-up to a base-line measurement, conducted in 2004.

In this audit, the NCA used the integrity module of Internet Spiegel, a web-based employee satisfaction survey, to collect data on the employees’ perception of ethical culture within the organisations. This instrument facilitates surveys on the performance of integrity management by public organisations and benchmarking of results between organisations within the same peer group.

3.5. Subject focused and transversal audit approaches

Transversal audits maybe referred to as government-wide, horizontal, or theme audits and they can have a compliance or performance audit focus or a combination of both. A transversal audit can be defined as the simultaneous examination whereby crosscutting

issues such as a specific focus area, theme or topic is examined in more than one audited entity using the same audit methodology and procedures.

SAIs may choose to conduct a theme audit in a single entity, but advantages of making it transversal are high. By studying and assessing the same subject in several organisations, the SAI will be able to provide a wider view, recognise patterns and trends, identify gaps and weaknesses in legislation, policies, controls and systems, compare and recommend tested practices, suggest wide solutions to identified problem areas, thus influencing global solutions for global problems and inducing effective change. This way, SAIs can better meet expectations of stakeholders and provide insight and foresight to public policies.

SAIs can audit or study and conduct a theme transversal audit over multiple ethics-related issues. For example:

Subjects which have a special importance to ethics management:

- Tone at the top
- Whistleblowing arrangements

Subjects where there is a higher risk of unethical behaviour

- Conflicts of interest
- Equality, discrimination
- Leaking of sensitive information
- Integrity in public procurement
- Gifts and hospitality

SAIs should choose them according to their risk and impact analysis.

EXAMPLES:

In 2012, the European Court of Auditors evaluated policies and procedures for the management of conflict of interest situations for 4 selected EU agencies making vital decisions affecting the safety and health of consumers. The Court found that there is no comprehensive EU regulatory framework dedicated to conflict of interest, which would ensure comparable minimum requirements on independence and transparency applicable to all EU agencies and to all key players that influence strategy, operations and decision-making.

The SAI of Israel conducted an audit on the implementation of post-employment restrictions among the major regulators in the economy, the Ministries of Finance and Communications and the Securities and Land Authorities. It concluded that the applicable law was a “dead letter”, thus creating an organisational culture contradicting its purpose. Following this transversal audit, amendments were introduced in the law, guidelines were produced and compensations were created so that the principles laid down would be accepted and complied with.

The SAI of the United Kingdom undertook a wide investigation about gifts and hospitality. The distinctive feature of this initiative was that, although transversal and theme focused, it was not designed as an audit. The objective was only to highlight facts, with no judgement involved. It described the practices of the public organisations in registering gifts and hospitality received and in publishing those registers. Judgements and improvements were supposed to be made by readers and managers themselves. This report had significant impact.

3.6. Audit of the ethics infrastructure within the whole government

Building a culture of integrity in a country and addressing corruption as a complex problem ultimately requires a comprehensive approach that effectively combines prevention, detection and prosecution.

The *United Nations Convention Against Corruption (UNCAC)*, *Transparency International* and some literature (v.g. Jeremy Pope) describe the National Integrity System as the government wide system of coordinated anti-corruption policies, which congregates policies and roles to be performed by different agencies and branches of the public sector and by civil society. The SAIs are one of the pillars of that system.

OECD has been describing, studying and fine tuning a description, analysis and assessment of an Integrity Infrastructure, Framework or System, applicable to the organisational level but that can also be brought to the policy making level of countries.

IDI, in the guidance developed to support the *SAI Fighting Corruption Programme*, which also refers to the ISSAI 5700, includes detailed descriptions of the institutional framework for fighting corruption, comprising the legal framework, the institutional structure (roles of the several functions and core public institutions), the organisation responsibility and the anti-corruption mechanisms.

SAIs may also act at this macro level in several ways, notably the following.

They may conduct a government wide inventory and analysis of laws and regulations. This analysis may serve to support and shape the integrity of the public sector in a country (base line measurement), seeking to assess:

- To what extent the requirement of good governance has been developed in terms of regulations relating to the management of integrity
- To what extent has government complied with the requirements:
 - To further develop certain aspects of integrity
 - To develop (integrity) norms in national decrees containing general measures, and
 - To actually execute and enforce the regulations containing aspects of integrity and dictating rules for implementation.

EXAMPLE

In 2014, the Audit Chamber of Sint Maarten conducted an audit of the quality of the legal framework with respect to integrity. It analysed to what extent:

- The government complied with the requirements (as stipulated by law) to further develop certain aspects of integrity, to develop integrity norms in national decrees containing general measures, and to issue ministerial regulations ;*
- The regulations containing aspects of integrity, which dictate rules for implementation, are actually executed and enforced.*

They executed a baseline study that provides the state of affairs. This makes it possible to conduct a study with the same questions within a few years to check the developments and compare the results to the baseline.

SAIs may consider assessing the ability of the institutional structures to prevent and fight corruption, according to their respective roles and their collective action.

They may also evaluate the implementation of the different public policies to enhance integrity and prevent corruption. This assessment should concern the formal existence of instruments, their feasibility and coherence and their relevance and effectiveness in meeting expectations and achieve intended objectives.

Another alternative is to conduct a global performance audit to assess efficiency and effectiveness of the national integrity system or of the institutional frameworks to prevent and fight corruption, at a global level or in specific sectors (such as health or education) as described in the IDI guidance.

EXAMPLE

In 2015, the Office of the Audit General of Norway concluded an audit that included the assessment of effectiveness and sustainability of Norwegian assistance for good governance and anti-corruption received by 4 countries.

The audit concluded that most of the audited projects failed to achieve the objectives for strengthening institutions or organisations and their ability to achieve their goals or exercise their function. There was even weaker achievement of goals such as less corruption, strengthened rights and greater political participation.

3.7. Relation with financial, compliance and performance audits

The ethical conduct and the policies and procedures designed to influence are an essential part of public governance and public performance. Therefore, the SAI's analysis will easily fit in a financial, compliance or performance approach, in a combination of them or in a different type of product, such as a review, a study or an investigation. This will entirely depend on the choice of the SAI.

Financial audit has a typical and very specific scope and objective: it focuses on determining whether an entity's financial information is presented in accordance with the applicable financial reporting and regulatory framework. Hence, an approach to ethics or integrity in financial audit will always be conducted over a specific organisation and will be done within the analysis of its internal control environment. It will always be a subsidiary issue to be explored mainly if there is reason to believe that the financial information could have been or was affected by an unethical environment or behaviour.

Compliance audit is an assessment of whether given subject matters, notably the activities of public sector organisations, comply with applicable formal criteria (such as laws, regulations and agreements) or with the general principles governing sound financial management and the conduct of public officials (propriety). Compliance audits may be attestation or direct reporting engagements. The conclusion is expressed in terms of findings, answers to specific audit questions, recommendations or an opinion.

Performance audit is an examination of whether undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. It seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement.

Where ethical aspects are treated as a secondary element that can affect the audited object, the audit of ethics will occur in a subsidiary manner, embedded in the main compliance or performance audit, according to cases.

When the main scope of the audit focuses on ethics management and its infrastructure, we can say that we are dealing with a proper audit of ethics. This audit will be a compliance audit when focused in comparing a situation with established requirements and will be a performance audit when targeted at assessing the results achieved and the areas for improvement.

3.8. Detecting fraud, corruption or misbehaviour

Detecting situations of fraud, corruptive practices or unethical behaviour should not be an objective of audits of ethics, since the managers and employees will most probably refrain from giving honest opinions and information, influenced by the fear of consequences and breaches of confidentiality. This will jeopardize the identification of actual risks and the assessment of organisational climate.

But it may happen that these situations are identified during the assessment, mainly in compliance audits. The mandate of SAIs with jurisdictional powers may allow or determine them to pronounce judgments and sanctions on those responsible for managing public funds. Some SAIs have the mandate to refer facts liable to criminal prosecution to the judicial authorities.

In this context, the objective of the compliance audits may have to be extended or modified, and the auditor should take due account of the relevant specific requirements when devising

the audit strategy or planning and throughout the audit process. When identifying strong indications or clear cases of fraud, corruption or misbehavior, the SAI needs to decide how such issues will be dealt with and reported on. This will depend on the SAI's mandate and the objective/s of the audit. If the SAI is obliged to report on those cases in line with its mandate, the audit law might prescribe the reporting methods. ISSAIs 1315, 1330, 1240 and 4200 may be applicable.

Forensic audits conducted by special units may happen to be considered in SAI's mandates. The objective of forensic audits is to support law enforcement agencies with audit findings to be presented in criminal court. The forensic audit's goal is to determine whether fraud has/is occurring, and to determine who is responsible as far as it is possible within the legal mandate for a SAI. The AFROSAI-E Guideline "*Preventing and Detecting Fraud and Corruption*" provides guidance on how to proceed in these cases.

3.9. Approaches in auditing ethics: further guidance

This guideline does not include guidance for all the possible described approaches. If a SAI chooses to undertake a non-audit raising awareness activity, it can refer to some of the examples or some of the literature listed. If the SAI wants or needs to adopt a forensic approach, it should seek for guidance in the applicable regulations or, for example, in the AFROSAI-E guide. If the audit institution finds it important to make a wide ethics audit or study at the government level, it should look for inspiration in the UN, OECD and IDI guides. References included intend to help SAIs in finding the most suitable sources of information.

Subject	Where to find	Content
SAIs: financial, compliance and performance audits	<i>ISSAIs 100, 200, 300, 400, 1240 and 4000</i>	<ul style="list-style-type: none"> • Fundamental Principles of Financial, Performance and Compliance Audit • Auditor's responsibilities relating to fraud in an audit of financial statements • Compliance Audit Standard
Integrity self-assessment	<i>Integrity: a project to strengthen the integrity based administrative culture in Hungary, G. Pulay integritas.asz.hu</i>	<ul style="list-style-type: none"> • Objectives and description of the Integrity Project
SAIs fighting corruption	<i>Guidance on audit of institutional framework for fighting corruption, IDI</i>	<ul style="list-style-type: none"> • Definition, types and impact of corruption • Government mechanisms to fight corruption • Role of SAIs in fighting corruption
	<i>Preventing and detecting fraud and corruption, AFROSAI-E</i>	<ul style="list-style-type: none"> • Types of fraud • The role of SAIs in preventing and detecting fraud • Internal controls and risk based prevention and detection • Forensic audit • Red Flags • INTOSaint and Aint

	<i>SAls toolbox for corruption control</i> , M. Muñoz Gutierrez	<ul style="list-style-type: none"> • Good practices and tools compiled by OLACEF to prevent and fight corruption
	<i>Corruption Control Toolkit for OLACEFS SAls</i>	<ul style="list-style-type: none"> • Set of tools identified and compiled by OLACEFS regarding prevention, detection and audit of corruption, whistleblowing and citizens' participation.
	ISSAI 5530	<ul style="list-style-type: none"> • Adapting audit procedures to take account of the increased risk of fraud and corruption in the emergency phase following a disaster
Audit of Internal Control Systems	<i>Management control in the public sector</i> , Zbysław Dobrowolski	<ul style="list-style-type: none"> • Compliance with ethical values • Professional competence • Organisational structure • Delegations of tasks and power
	<i>Preventing and detecting fraud and corruption</i> , AFROSAI-E	<ul style="list-style-type: none"> • How public sector auditors should address weaknesses in internal controls directed at fraud and corruption risks • Basic questions for auditors when auditing the several elements of the internal control systems and of the control environment to be used in all types of audits
	INTOSAI-GOV 9100-9160	<ul style="list-style-type: none"> • Guidance for Good Governance • Internal Control in the Public Sector • Internal Audit Independence in the Public Sector • Coordination and Cooperation between SAls and Internal Auditors in the Public Sector • Enhancing Good Governance for Public Assets
Internal audit role in assessing ethical climate	<i>Evaluating ethics- related programs and activities- practice guide</i> , The Institute of Internal Auditors (IIA)	<ul style="list-style-type: none"> • Assessment methods (risk assessment, reviews and surveys)
	<i>Technical Guide for conducting audits of ethics</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • What is audit of ethics, institutional ethical framework, tools and key factors for conducting these audits
Integrity Management System	<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> • The model and tools
	<i>Integrity Assessment of Public Sector Organisations, Manual</i> , Netherlands Court of Audit	<ul style="list-style-type: none"> • Assessment of integrity management in the public sector
National Integrity System	<i>Confronting Corruption: The Elements of a National Integrity System</i> , Jeremy Pope, Transparency International	<ul style="list-style-type: none"> • Key elements • How can SAls address weaknesses in the NIS
	<i>Preventing and detecting fraud and corruption</i> , AFROSAI-E	<ul style="list-style-type: none"> • Components of the National Integrity System (NIS) • Pillars (Legislature, Judiciary, Media and Civil Society and Watchdog Agencies) • Rules and practices (provision of and public access to information and national legal instruments relating to fraud and corruption).
	<i>Integrity Assessment of Public Sector Organisations, Manual</i> ,	<ul style="list-style-type: none"> • Legal and institutional framework

	Netherlands Court of Audit	<ul style="list-style-type: none"> • Accountability obligations • International Standards
Auditing the institutional frameworks for fighting corruption	<i>Guidance on audit of institutional framework for fighting corruption, IDI</i>	<ul style="list-style-type: none"> • Why and how to do it • Applicable ISSAIs • Performance audit of prevention function • Audit model (incl. subject and objective of the audit)
Assessing integrity and corruption prevention policies	<i>Public Sector Integrity - a Framework for Assessment, OECD</i>	<ul style="list-style-type: none"> • Context, objectives, elements, challenges and methods of assessment

4. DESIGNING AN AUDIT OF ETHICS

From now on, this guideline will focus on the audit of ethics at the level of public sector organisations.

All audits require good audit design and planning, but an audit of ethics needs to consider and address specific challenges. The preferred holistic approach, including the audit of culture, has consequences for objectives, scope, criteria and methodology of data collection and analysis. It demands specific new skills and also excellent stakeholder management and communication. This needs to be addressed in the planning of the audit.

4.1. Holistic approach

For effectively promoting an ethical conduct in public sector organisations, it is not enough to adopt codes and mechanisms. It is key to implement them and to create a climate and culture that favours an ethical behaviour.

The audit of ethics needs to add value and contribute to the improvement of management, controls and governance of the public sector organisations or government through functional recommendations and a timely follow-up. To be successful, the assessment has to adopt a similar holistic approach. This means that the audit should go beyond compliance, should include an assessment of culture and should involve stakeholders.

Beyond compliance audit: The audit should not be intended only to measure adherence to a code of conduct or to verify the existence of selected tools. It should also assess the implementation of programmes and their impact on organisational culture, values and behaviour. In many cases, this calls for a combination of compliance and performance audit or review. The audit framework and criteria should facilitate this holistic approach.

Auditing culture: One of the main challenges the audit of ethics faces is the need of measuring cultural dimensions and impacts. Auditing ethics and culture struggles with the difficulty of assessing soft controls and considering subjective information while still needing to identify observable measures and sufficient evidence. Although perception information needs to be used, this information can be inaccurate and must be combined with objective data and criteria to maximise the reliability of assessment findings. Collecting meaningful information for this purpose will be complex and it can also be costly.

Stakeholders' involvement: Assessing integrity may benefit from participatory evaluation approaches, which involve stakeholders and raise the likelihood that the outcomes of the assessment will be widely accepted as relevant and will actually be used as a basis for future actions. This option also places constraints, related to audit culture, confidentiality, timelines and budget, that should be addressed while planning the audit.

Being a model: The SAI and its auditors must be aware that they won't be accepted or respected when initiating and conducting an audit of ethics if they are not beyond reproach in what concerns their own ethical behaviour. This is a key issue affecting the credibility of

the work and, thus, SAIs and their auditors must be conscious of the ethical requirements of ISSAI 30 and their own standards and codes and comply with them. Notably, the SAI should implement its overall responsibilities as described in ISSAI 30, implementing its own ethics control system.

4.2. Selection of topics

The selection of audit topics is an inherent part of the SAI's strategic planning process. It involves conducting research to identify and map possible risks related to ethical matters, performing an overall evaluation of them and deciding about the topic and the perspective of the audit. Ultimately, those topics should allow the audit to serve as an effective way to promote ethical conduct in public organisations.

From research, professional knowledge and experience it is known that some areas of activity in the public sector produce higher risk of breaching ethical aspects than others. For instance, procurement or granting of subsidies are more vulnerable to breaches of integrity than teaching or archiving. Processes in which there is intensive contact with "clients" (members of the public or businesses) are more vulnerable to violations, because there are more opportunities and temptations.

EXAMPLES of processes or areas inherently vulnerable to ethical breaches⁵:

- Public procurement***
- Payment of subsidies, grants, benefits and allowances***
- Granting/issuing licenses, permits, passports, identity cards, etc.***
- Regulating and setting standards***
- Inspection/audit***
- Enforcing laws and regulations***
- Sensitive information about security threats, defence, taxes, health care, companies, etc.***
- Handling or custody of money***
- Managing valuable goods***
- Buying, selling and managing real estate***

It is important to organise this risk based topic selection in such a way that it will convince stakeholders, including the auditees, of the necessity and viability of the audit. This will provide the groundwork needed for a successful reception of the audit and a basis for future actions. Possible options are:

⁵ In Manual of Integrity Assessment of Public Sector Organisations, Integrity Vulnerability Mapping, SAI of Netherlands

- Experienced auditors and, if available, ethics specialist should contribute to this process in their respective fields of expertise sharing their knowledge on possible breaches and shortcomings in ethics issues.
- Use panels or focus group of citizens and/or experts to include their knowledge and experience in the process
- Involve and even collaborate with external institutional stakeholders, that have a role in safeguarding public sector ethics, such as the national Ombudsman, anti-corruption body, local audit institutions or internal auditors or even NGO's with an excellent reputation and track record, etc.
- Make regular background studies or risk maps, that are updated annually and share them with the public

In the end, the audit topics should be sufficiently significant as well as auditable and should fall within the mandate of the SAI. The topic selection process should aim to maximize the expected impact of the audit while taking account of audit resources (e.g. auditor's professional skills, external experts, access to the information being audited).

At this stage, a decision must be taken on the audit approach to be used. A stakeholders' analysis needs to be included in this process, in order to get an overview of possible reactions, both positive and negative, and to anticipate the need for collaboration or damage control.

Annex 1 to this guideline includes a list of examples and audit reports on ethics-related topics that can be used as inspiration.

4.3. Audit objectives

The specific objectives when auditing ethics depend on the audit approach. Having chosen to focus on auditing ethics within a public sector organisation, the audit objectives would be:

Audit of the ethics component of internal control system: Under this approach, the aim is to strengthen the internal control system of the organisation. The objective of the audit would be to determine strengths and weaknesses in the ethics component of the control environment.

Audit of ethics management system within an organisation or sector: Under this approach, the aim is to improve ethics management and enforce ethical standards and policies in the organisation or sector. The objective of the audit would be to assess the existence and functioning of integrity management systems or infrastructures in public sector organisations.

Subject focused and transversal audit approaches: This approach aims to create insight into the national integrity system, either as a whole or on specific subjects, and improve the public sector integrity framework. The objective of the audit would be to assess the existence, effectiveness and efficiency of the national integrity system, analyse, and identify

specific weaknesses. This objective would be adapted to the theme at stake in the case of subject-focused audits.

4.4. Audit scope

The audit scope is a clear statement of the approach chosen, of the extent and of the limits of the audit in terms of the subject matter selected. The audit scope defines the subject matter that the audit will assess and report on, the documents, situations or records to be examined and the period reviewed. The subject matter of the audit of ethics may be specific programs, processes, procedures, systems, or the ethical culture of the entities.

As mentioned above, in the audit of ethics in public sector organisations we distinguish three types of audit: compliance, cultural and systems audits.

In compliance audits, the subject matter is the existence and the shaping of the ethical program, as well as the extent to which this complies with the law, regulation and policy in force and is applied in organisational management. The scope can range from the compliance of a public entity with a specific law or its code of conduct referring to a particular ethical aspect, to a complete verification of the standards set forth in applicable law, regulation and policy, and internal rules (e.g. code of conduct). ISSAI 400 is applicable to this type of audit.

In cultural audits, the subject matter is the ethics and behaviour of the organisation, including that related to priorities, ethical effectiveness and commitment demonstrated in ethical matters of individuals, groups, units or the entire organisation. This is a new field for auditors. The correspondent approaches and techniques derive from social sciences such as psychology, sociology and cultural anthropology. The scope relates mainly to the (ethical) behaviour of employees and leadership of the organisation or to the perception of employees or stakeholders on the ethical behaviour of the organisation and on the functioning of ethical systems in the organisation.

In systems audits, the subject matter is the effectiveness of the integrity management system. It looks at the extent to which the values and ethical principles, guidelines and processes are integrated into the management systems of the organisation, particularly in the areas of greater sensitivity and exposure to risk. This is a specific type of performance audit, combining the other two approaches. ISSAI 300 is applicable in this type of audit.

4.5. Audit questions

Once the approach, objective and scope have been designed, the leading audit questions need to be established. Specific audit objectives need to be detailed in audit questions for which the audit will seek to obtain answers. The audit objectives should be clear enough, so that they logically determine the questions that will need an answer. The audit questions will have to be specific, unambiguous, auditable, relevant and logically consistent. Together they

will contribute to reach the audit objective.

If the audit scope is compliance, the audit questions are straightforward and lead to a qualified audit opinion. However, if a holistic scope is selected, the audit will be more of an investigation or study and some of the questions will be more descriptive. This will reflect in the audit criteria.

EXAMPLES

Audit approach: Audit of the ethics component of internal control system (control environment)

Audit objective: Determine strengths and weaknesses in the ethics component of the control environment

Audit question: Does the control environment of the organisation meet the COSO principles? Since these principles are defined criteria, we can formulate sub-audit questions for each principle. Examples⁶:

-Principle 1 'Commitment to integrity and ethical values': Does the management demonstrate in its guidelines, actions and attitudes its commitment to ethical conduct and ethical principles? Does the management evaluate the performance of employees and teams to meet the expectations of ethical conduct, does it identify deviations and does it implement corrective actions in a consistent and timely manner?

(...)

-Principle 7 'Identifies and analyses risks': Does the entity identify, assess and address the risks to integrity?

(...)

-Principle 15 'Communicates externally': Does the organisation establish and put in place open channels of communication with external parties (consumers, customers, suppliers, external auditors) to receive information relating to ethical violations or that may create a conflict of interest?

(...)

-Principle 15 'Conducts ongoing and/or separate evaluations': Does the entity periodically assess the adequacy and effectiveness of established controls to ensure the achievement of integrity objectives?

(...)

Audit approach: Audit of the ethics management system within an organisation

Audit objective: Assess the existence and functioning of the integrity management system

Audit questions⁷: Does the organisation have an integrity management system? Is this system effectively implemented? Is the ethical culture of the institution conducive to ethical behaviour? Examples of sub-questions related to criteria:

-Are integrity policy instruments in place (e.g. code of conduct, procedures)?

-Are integrity policy instruments capable of functioning as intended (expectations, resources and conditions)?

-Did the integrity policies achieve their objectives?

-Does leadership pay attention to ethics?

-Are there open discussions about ethics issues?

-Are ethics violations reported when they occur?

⁶ José R. Souza Filho, from the SAI of Brazil, identified questions for all the control environment principles. Please refer to his paper for the complete list.

⁷ In Public Sector Integrity, A Framework for Assessment, OECD

Audit approach: Subject focused audit

Audit objective: *Examine policy and practice on managing conflicts of interest in public services⁸*

Audit questions: *Are there guidance and policies governing the management of conflicts of interest? What should be in place to identify and manage the consequences and risks of conflicts of interest?*

4.6. **Audit framework**

Effective audit preparation requires setting up an appropriate reference framework, which, depending on specific audit type and objectives, should provide a standard against which the audit findings will be assessed.

The reference framework needs to be prepared to support effective audit execution, specifically with regard to:

- Carrying out analyses of risks to ethics
- Designing specific audit questions and procedures
- Assessing findings against a selected set of criteria
- Adding value, through showing areas and possibilities for improvements

To be effective, measures related to ethics management need to be integrated into the functioning of an institution on the strategic and operational levels, with an appropriate mix of hard and soft controls. Therefore, for an audit of ethics it is usually necessary to cover both such tangible aspects, like ethics-related policies, functions and activities, as well as intangible ones, like the overall ethical culture of the institution. A reference audit framework needs to cover all these levels, to an extent appropriate for achieving audit objectives.

The reference framework for audits of ethics needs to enable assessment of:

- The existence of a relevant, comprehensive and accessible ethical infrastructure, based on generally binding and institution specific regulations
- Effective, continuous and consistent operation of established hard and soft controls, in line with their functions and targets
- Outcomes achieved in terms of upgrading ethical culture

4.7. **Audit criteria: types and sources**

In order to formulate an opinion or recommendations, a set of assessment criteria, related to the audit framework, is required.

In auditing ethics, the determination of criteria can be straightforward, such as in compliance audits. In the case of a holistic approach the identification may be more complex due to

⁸ Cross-government, Conflicts of Interest, Audit report by the UK NAO

subjectivity of matter. In this respect three types of criteria can be identified, depending on their source and character:

- **Binding criteria**, resulting e.g. from stated requirements, such as national legislation concerning public management systems, or international agreements, e.g. ratified conventions
- **Non-binding criteria**, resulting from guidance or recommendations issued at the national or international level, such as COSO Framework, INTOSAI GOV or OECD Integrity Framework
- **Benchmarking**, comparing the outcome to peer standards

In relation to the purpose, we can distinguish compliance, governance and outcome criteria, as follows.

	Compliance criteria	Governance criteria	Outcome criteria
Purpose	To verify the functioning of hard controls	To assess the ethics management system	To assess if policies are effective in achieving the desired ethical culture
Examples	- how ethics-related legal and regulatory requirements are reflected in ethics management systems and internal rules - how internal rules and regulations are being executed and enforced	-strategic planning -internal control system -risk management -quality control management -personnel policy -etc.	- performance indicators - reduced risks as a result of policies - perceptions and expectations of staff and stakeholders
Sources	- international conventions, protocols & agreements - national legislation, regulations, codes & policies - institutional ethical infrastructure	- benchmarking - maturity models built on the basis of good practice	

Compliance criteria are usually defined as established requirements and the audited situation either complies or not complies with them. Based on them, an audit opinion may be issued. The limitation of compliance criteria is that even full compliance with the requirements does not guarantee that the intended effects of ethics management in terms of the desired level of ethical culture are obtained. Formally, all mechanisms may be established and operate, but bring no effects in terms of increased awareness of the importance of implementing and respecting ethical principles and values and, thus, improved ethical behaviour.

The institution's ethics management system and the ethical culture are commonly evaluated through benchmarking and can be assessed against predesigned maturity models, based on governance criteria, taking into account the existence, the operation and the performance of controls, or/and on outcome criteria, considering desired levels of results.

EXAMPLES

-The SAI of Costa Rica built an **Institutional Ethics Maturity Model** with 5 stages for 3 components of institutional ethics (ethics program, ethics environment and integrating ethics in institutional management systems), resulting in 5 maturity stages for the general institutional framework on ethical matters.

-The Institute of Internal Auditors (IIA) designed a model to assess the maturity of 6 defined elements of a **Compliance and Ethics Program**, including the ethical climate (code of ethics, culture and consistency, awareness, structure and accountability, process automation and integration and goals and metrics)

-A key element of the **IntoSAINT** methodology is the assessment of **the maturity level of the integrity control system**. The maturity is defined in 4 levels, considering the existence, the operation and the effectiveness of the general, hard and soft controls that promote, monitor and maintain integrity. These controls are: policy framework, risk analysis, responsibilities, legal framework, legislation and regulations, internal control, security, values and standards, awareness, management attitude, organisational culture, recruitment and selection, response to integrity violations, accountability and transparency, audit and monitoring.

These maturity models include both governance and outcome criteria.

Analysis against governance or outcome criteria can reveal gaps or weak points in an institution's ethics management system. The audit will then be able to identify and recommend the needed improvements to enhance ethics management, thus providing added value.

Reference framework and criteria for an audit of ethics can be identified at the national, international and research level:

Sources of ethics' audit criteria	National	International	Audit frameworks/ research materials
Generally applicable	Laws and regulations (e.g. financial management, duties of officials, measures related to fraud and corruption, security requirements, conflicts of interests, dealing with misconduct, etc.)	International conventions, agreements and recommendations (eg. UN Convention against Corruption, UN Convention on the Elimination of All Forms of Discrimination against Women, ILO Convention on Discrimination (Employment and Occupation))	-Manual on SAINT (integrity assessment in public sector organisations) SAI Netherlands -Guide for assessing the institutional framework in the ethics field SAI of Costa Rica -Evaluating Ethics-Related Programs and Activities IIA -Guidance on Audit of Institutional Framework for Fighting Corruption IDI -Auditing ethics: a suggested model J. R. Souza Filho, SAI Brazil -Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit Land Registry of Turkey
	Government strategies, policies or programmes to strengthen ethics in the public sector (e.g. related to corruption, mobbing, equal treatment, etc.)		
	National standards (e.g. principles and requirements for establishing internal control systems)	Recognised international standards (e.g. COSO Framework for Risk Management/ Internal Control, ISSAI 30, INTOSAI GOV 9100-9160, ISSAI 5700)	

	National guidance material	Guidance issued by international organisations (e.g. OECD Integrity Framework, Transparency International)	-Global Ethics and Integrity Benchmarks Joan Elise Dubinski, Alan Richter
	Examples of good/best practice as benchmarks		
Applicable to one specific entity or to a group of similar institutions	-Professional values, codes and standards -Internal ethics regulations and procedures -Ethics-related policies, programmes and timetables of activities -Ethics related contracts or agreements (v.g. with providers or contractors) -Established performance indicators	To be identified in each case	To be identified in each case
	Examples of good/best practice as benchmarks		To be identified in each case

In case ethics related legislation and infrastructure are not well advanced at the national level, international sources may turn out to be a valuable reference for showing needs and possibilities for improvements.

Audits of ethics will usually need an appropriate mix of criteria from various sources, depending on audit type (compliance audits, culture audits, systems audits) and scope.

4.8. *Audit criteria: validity for auditees and other stakeholders*

In audits of ethics, in view of the intangible nature of part of the audit matter, it is necessary to use criteria that go beyond those traditionally applied. Therefore, an important aspect is their reliability as perceived by the key stakeholders, such as auditees or the main addressees of audit reports, including parliament and the public. For this reason, identification of reliable sources is an important process. As much as possible, the approach adopted or recognised as viable and the identification of criteria should be carried out with due account taken by the key stakeholders. This can be achieved in various ways, which, among others, may include:

- Using the frameworks mentioned/ referenced in auditees/governmental/parliamentary documents;
- Conducting direct discussions with auditees, in order to achieve understanding and agreement on mutually recognised criteria;
- Organising expert panels;
- Using recognised scientific knowledge;
- Benchmarking with similar organisations;
- Considering public expectations (obtained as a results of polls, surveys, etc.).

In some cases it may be advisable to start with activities that raise awareness, before initiating an ethics audit.

4.9. Methods to collect data

A method is a planned procedure or way of work that helps in achieving the objectives of the audit. In all audits, we look for data or evidence that will allow the application of the chosen criteria and express an opinion or answer to the audit questions.

In the audit of ethics, due to the preferred holistic approach, the challenge is to strike a balance in collecting and combining both objective and subjective data and techniques. This applies for audit of culture or systems and for compliance audit as well.

Triangulation, i.e. collecting different kind of data from different sources, is always necessary.

The methods for collecting data are the following.

Document or case review

This method provides sound evidence to support findings. Documentation is selected by random sampling or according to selection criteria. In auditing ethics/ethics related issues, strategic and planning documents are useful, as well as contracts, minutes from management meetings, complaints and discussions. Internal audit reports may contain relevant information. Advantage of documentation review is that it provides extensive and historical data, which already exists, with a little chance of misinterpretation. This review can be time-consuming and the auditor must be aware that the information may be incomplete.

Sampling

This is a specific method of collecting documentary evidence. Sampling can be statistical and non-statistical. Both types of sampling require the use of professional judgement at the stages of sample planning, testing and evaluation. In auditing ethics, sampling methods can be especially useful when there is e.g. larger number of complaints of citizens/employees on unethical behaviour within the auditee, big number of procedures to handle complaints, big number of complaints about public procurement procedures, etc.

Observation

It is used to monitor processes or procedures during their performance (implementation) and checks of physical existence of assets. Observation and physical examination are a useful way of collecting evidence, but generally have to be complemented by other methods. The evidence collected through observation may not be very strong, but it may prove useful in testing controls, which leave no audit trail. A special method for observation of the adherence to the code of ethics is the *alignment audit*, where ethical dilemmas are presented to staff members and the management, comparing their responses. One must be careful not to influence behaviour of participants.

Cultural observation techniques

A specific type of observation is psychological behavioural observation of leadership and decision making processes. This can be used to describe and evaluate the leadership culture of an organisation. Embedded observation is an anthropological method, used in description and assessment of the organisational culture. The auditor/researcher is temporarily embedded in the organisation and collects stories and experiences in a diary. Artefacts, video images and pictures may also be collected as data. These techniques are still experimental and are occasionally used by internal auditors.

Inquiry

It is the process of gathering information in written or oral form, directly from an individual who is familiar with the subject matter or control being tested. Inquiry is best used to gain a basic understanding of complex processes and it is always used in combination with observations and document reviews.

Interview

This is a specific way of inquiry, used as a data collection technique in almost every audit. Usually the interviewed is a key person in the organisation or an external informant. In the audit of ethics, interviews may be used to fully understand someone's impressions or experiences or to learn more about answers to questionnaires. A single interview by itself does not represent strong evidence and there is a risk that responses may be biased. It usually needs to be substantiated by independent sources such as documentation, observations or other interviews.

The tools prepared by the SAI of Costa Rica include guides for interviews concerning ethics.

Questionnaires

They are used to collect findings from more informants, or to collect facts that are not available otherwise. In auditing ethics, they can contain questions directed to getting insight about the existence and/or operation of certain controls or certain ethical issues. They can be combined with interviews. The aim of the questionnaire might be to get first information on employees awareness about certain ethical issues (e.g. in information technology, public procurement, etc.)

Surveys

Usually used to collect (quantitative) data from a large group of respondents, by means of a written questionnaire. Surveys can reflect a significant sample, they are inexpensive and easy to compare and analyse. They can collect information on past experience, current attitudes, opinions and expectations of subjects. Surveys are carried out on a sample that represents a certain population. This population can include different perspectives: public perception, targeted groups or subgroups, including users, employees and management level. In auditing

ethics, employee perception surveys can be very useful. Surveys can give a good overview about several ethical issues such as organisational culture, awareness of the code of ethics, education/trainings on ethics related policies and procedures, exchange of information, communication etc. They can be anonymous. They provide an excellent opportunity for statistical analysis of attitude and culture. But surveys also present challenges: they might not get careful feedback, wording can bias responses and they might not tell the full story. Thus, a sampling expert should be used, the survey should be externally and theoretically validated and information should be triangulated as much as possible.

The IIA Practice Guide '*Evaluating ethics-related programs and activities*' and the tools prepared by the SAI of Costa Rica include sample employees' surveys about ethics.

Focus groups

They are groups of selected individuals gathered to discuss an issue or a topic. They are used to collect qualitative data and information that can provide insight into values and opinions of individuals connected with the audited organisation, procedures or activities. Focus groups are frequently used to help define a large scale quantitative survey and can be very useful in exploring ethical issues within the auditee. Focus groups may give some indications of why people/employees have certain preferences in behaviour, opinions about certain ethical situation or make a particular decision in ethical dilemmas, but they will not demonstrate how often the group made a particular choice. On the other hand, they may provide more valuable insight than yes/no responses to a questionnaire. The responses can also be biased and it is advisable to have a good and experienced facilitator to ensure reliability.

4.10. Methods to analyse and evaluate data

Due to the holistic character of an ethics audit, the chosen methods for data analysis need to facilitate the combination of objective and subjective data. This is best compared to making puzzles, where a completed puzzle is a result of different information collection activities. On the other hand, the selected data analysis method also shapes the data collection. They go hand in hand. The most relevant ways to combine and analyse the data are the following.

Case studies

This is a method that provides detailed insight into a complex subject. Case studies include descriptions full of information gathered from different sources, especially by first hand (direct) observation. The intention is to get the most complete picture about what is going on and why. Case studies combine facts in a simple and concise way. For example, a case study can explain how a certain health care service is provided, how some big purchase project was managed or how and with what results money for promoting innovation has been spent in an entity. A case study can enliven a report, and it should, with its appearance and structure, draw the attention of readers and make them interested.

Case studies can be *descriptive* (used to explain the data when readers are believed not to have enough knowledge about a programme; usually are combined with other methods), *investigative* (usually developed before large studies in order to identify questions for evaluation, define criteria or audit strategy) and *critical* -problem-oriented (used to investigate a certain problem).

Expert judgement

It is a method where the assistance of an expert is used to evaluate the data, when the knowledge and expertise of the SAI is insufficient. The expert could be an individual or an organisation (e.g. Ethics Committee, bodies in charge of interpretation of ethics regulation) possessing expertise in a field that is audited. The knowledge, independence and objectivity of the expert should be beyond doubt. An external auditor or peer group might certify this. The expert can help to establish a qualified opinion.

Benchmarking

It is used to compare the results of one organisation with the results of its peers or the standard of the sector. Benchmarking is suitable to compare various aspects, such as the maturity of the ethics management or implementation of a specific control or the ethical culture of the organisation. The emphasis is placed on identifying good practices and learning from other experiences. This method can combine both qualitative and quantitative analysis.

Seminars and workshops

They can be useful to combine knowledge from different people into one common report or product. It can take the form of a self-assessment of an organisation, facilitated by an (external) auditor, or it can be a structured session of the audit team to combine and evaluate the collected data within the framework. This method is especially appropriate for a risk assessment.

Incident analysis

In this method, a past (integrity) incident is analysed in a structured way, to find out what went wrong and what could be improved. Well-known methods of this kind are *Root Cause Analysis* or *Tripod-Beta*.

4.11. Specific issues

Selecting the audit team

Designing the audit of ethics supposes selecting the staff (auditors, experts) involved in the audit work. In order to ensure a quality work, the members of the team should have enough

experience to perform the audit tasks. This means that they must have a suitable knowledge in management of ethics and sufficient practice on audit of ethics or, at least, have practice in working with subjective aspects, as it will be the case of the perceptions from others. If auditors do not have enough knowledge or experience to perform these specific audit tasks, they need to be supported by experts on ethics issues. In any case, an audit of ethics entails undertaking quite distinct tasks and perspectives to those of other types of audit. Therefore, to address the novelty and the challenge of audit of ethics, experienced members of the audit team should specially control these new tasks and perspectives or, if needed, those must be assessed by other experts involved in the audit.

Training on ethics and on audit of ethics, notably in the subject, communication and methodological specificities, should be undertaken to improve the needed skills of auditors for this work. Moreover, compiling and sharing lessons learnt from previous audits of ethics among the audit teams can be quite beneficial in the process of creating expertise.

Materiality

Materiality can be defined as the relative importance (or significance) of a matter within the context in which it is being considered. In addition to monetary value, materiality includes in auditing ethics issues of social and moral/ethical significance. Society is changing and becoming more demanding with government and public sector ethical behaviour, but the significance of certain issues may vary over the time, for example in comparison with previous audits. The question is whether materiality is a useful concept within the context of audit of ethics.

Stakeholders' management

When auditing ethics, information and communication is somewhat sensitive and could often be based on false perceptions. Therefore, it is necessary to plan suitable communication channels where the information flows from auditors to stakeholders, in particular the audittee, in a clear way.

Good communication with all stakeholders is vital throughout all audit phases.

This communication intends to:

- Get stakeholders involved
- Recognise and emphasise the importance of ethics issues in public organisations
- Clarify what we are looking into in the audit of ethics and the criteria against which the information and performance will be evaluated
- Achieve a voluntary collaboration from stakeholders, which contributes to ensure the relevance, the veracity and the completeness of data obtained from them
- Making it clear that the confidentiality of the informants will be safeguarded

This should start from the very beginning of the audit, when planning, e.g. with meetings or interviews with organisation's managers/suppliers; continuing during the fieldwork, e.g. meetings or focus groups with staff/service users; before the final report auditors should contrast the audit findings with interested parties, e.g. detected shortcomings and breaches,

trying to obtain feedback about different actions to be taken in order to improve; finally, the report must be presented as an useful instrument for the improvements' implementation, e.g. including practical recommendations for government, top managers or others responsible.

Quality assurance

Most SAIs have no or little experience with the audit of ethics. Thus, quality assurance may be something that requires special attention. The risks are substantial that a poorly designed and executed audit may damage the reputation of the SAI. Therefore, quality control and quality assurance should be given great care before, during the audit, and before publication. In this respect, an external focus group or expert panel could be installed, to monitor the audit. Feedback from auditees and peer reviews can also be useful in this respect. In this context, it is evident that stakeholder analysis and stakeholder management may mitigate some of the risks.

4.12. Audit design: further guidance

Subject	Where to find	Content
Audit approach Audit objectives Audit scope	<i>Auditing ethics: a suggested model</i> , J. R. Souza Filho, Brazil <i>Audit of ethics: an appointment in the SAIs schedule for the 21st century</i> , J. R. de Sousa Filho	<ul style="list-style-type: none"> • Audit objects • Audit objectives • COSO criteria, OECD ethics infrastructure • Audit questions • Standards and tools to consider • Maturity models
	<i>Measuring effectiveness of integrity management</i> : Piet van Montfort, Ina de Haan, Ruud Hogendoorn, Brenda Vermeeren	<ul style="list-style-type: none"> • Study comparing the effectiveness of value based and compliance based approaches of integrity in Dutch public sector organisations by measuring employee perception
	<i>General work programme for the audit of ethics</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Objectives, scope and procedures of an audit of ethics
	<i>Consolidating ethics in the public sector in Turkey</i> , <i>Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> • Scope of the audit
	<i>Integrity Assessment of Public Sector Organisations-Manual</i> , Netherlands Court of Audit <i>Assessment INTegrity (AINT)</i> , L. Strijker	<ul style="list-style-type: none"> • Integrity risks and vulnerabilities • Five steps of the integrity assessment method (analysis of object and its processes; assessment of vulnerabilities; assessment of the maturity of the integrity control system; gap analysis; management report and recommendations) • Risk assessment method
	<i>Public Sector Integrity - a Framework for Assessment</i> , OECD	<ul style="list-style-type: none"> • Key assessment questions
	<i>How to audit the ethical performance of a public body-a proposal</i> , P. Giusta	<ul style="list-style-type: none"> • Audit approach, scope of the audit and audit questions
	<i>Guide for assessing the institutional framework in the ethics field</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Questions and template for assessment

Subject	Where to find	Content
Audit framework Audit criteria Maturity models	<i>OECD Recommendation on Public Integrity</i> <i>Public Sector Integrity - a Framework for Assessment</i> , OECD <i>Components of integrity: data and benchmarks for tracking trends in government</i> , OECD <i>Integrity in Government: Towards Output and Outcome Measurement</i> , OECD	<ul style="list-style-type: none"> Public integrity strategy Public integrity system Public integrity culture Accountability Elements of the ethical infrastructure and of the public integrity framework Domains of assessment
	<i>UN Convention against Corruption (incl. technical guide, toolkit, guidebook, institutional integrity initiative)</i>	<ul style="list-style-type: none"> National integrity system Preventive anti-corruption policies, practices and bodies Principles , codes of conduct, transparency, citizens' participation and accountability Enforcement-judiciary and prosecution
	<i>ISSAI 5700</i>	<ul style="list-style-type: none"> Organisational culture Organisational responsibilities Risk assessment and risk management Anti-corruption approach (prevention, detection, reaction) HR management, internal control, whistleblowing Internal and external communication Monitoring and feedback
	<i>Integrity Assessment of Public Sector Organisations-Manual</i> , Netherlands Court of Audit	<ul style="list-style-type: none"> Concept Dimensions and framework of controls Maturity level of the integrity control system
	<i>Institutional Ethics Maturity Model</i> , SAI of Costa Rica	<ul style="list-style-type: none"> Assess the maturity of ethics program, ethics environment, integrating ethics in institutional management systems and institutional framework on ethical matters
	<i>Public Sector Integrity - a Framework for Assessment</i> , OECD	<ul style="list-style-type: none"> Why assess? What to assess? Who will assess? How to assess? How to integrate assessment results into the policy cycle Practical checklists
	<i>Evaluating ethics- related programs and activities- practice guide</i> , The Institute of Internal Auditors (IIA)	<ul style="list-style-type: none"> Ethical culture and ethical climate Responsibilities <p>Maturity model to assess the several elements of the ethical climate</p>
	<i>COSO Framework</i>	<ul style="list-style-type: none"> Internal control components Control environment principles
	<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> Adapts Maesschalck (2009) and OECD (2009) model of Integrity Management System and the methodology of NAO ethical governance audit Uses compliance, cultural and systems audit methodology

Subject	Where to find	Content
Assessment of risks, controls and indicators	<i>Evaluating ethics- related programs and activities- practice guide</i> , The Institute of Internal Auditors (IIA)	<ul style="list-style-type: none"> Inherent risks Design of controls to mitigate risks
	<i>Preventing and detecting fraud and corruption</i> , AFROSAI-E	<ul style="list-style-type: none"> Red flags for fraud and misconduct (behaviour, procurement, payroll, assets, etc)
	<i>Public Sector Integrity - a Framework for Assessment</i> , OECD	<ul style="list-style-type: none"> Observable measures Assessing outputs and outcomes Proxy indicators Sources of outcomes data
	<i>Components of integrity: data and benchmarks for tracking trends in government</i> , OECD	
	<i>Integrity in Government: Towards Output and Outcome Measurement</i> , OECD	<ul style="list-style-type: none"> Positive and negative features Questions to be asked to obtain information
	<i>Ethical Governance Toolkit</i> , I&DeA	
	<i>Components of integrity: data and benchmarks for tracking trends in government</i> , OECD	<ul style="list-style-type: none"> Two-level performance indicators for the several elements of the integrity management system
	<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	
<i>Guidance on audit of institutional framework for fighting corruption</i> , IDI	<ul style="list-style-type: none"> How to use and interpret corruption indicators 	

Subject	Where to find	Content
Specific issues	<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> Person specification for ethics auditor
	<i>Public Sector Integrity - a Framework for Assessment</i> , OECD	<ul style="list-style-type: none"> How to involve stakeholders Advantages Drawbacks
	ISSAI 5530	<ul style="list-style-type: none"> Good practices involving civil society organisations in the discussion of audit findings
	<i>Evaluating ethics- related programs and activities- practice guide</i> , The Institute of Internal Auditors (IIA)	<ul style="list-style-type: none"> Quality assurance
	<i>Guidance on audit of institutional framework for fighting corruption</i> , IDI	<ul style="list-style-type: none"> Quality control and assurance Enhanced interaction with stakeholders for fighting corruption

	Subject	Where to find	Content
Methods to collect and analyse data		<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> • Start-up meetings • Define data collection methods • Documentation review: suggested documents to be analysed • Interview questions • Diagnostic self-assessment survey • Focus groups questions
		<p><i>Public Sector Integrity - a Framework for Assessment</i>, OECD</p> <p><i>Components of integrity: data and benchmarks for tracking trends in government</i>, OECD</p>	<ul style="list-style-type: none"> • Combining objective and subjective data • Surveys, interviews, documentation review, observation, focus groups, stakeholder analysis, tests, case studies • Purpose, advantages and challenges of each method • Using data and benchmarks instead of relying upon perceptions
		<i>Evaluating ethics- related programs and activities- practice guide</i> , The Institute of Internal Auditors (IIA)	<ul style="list-style-type: none"> • Documentation review: which documents to review when planning the audit • Employee surveys: examples of wide and focused • Guidance on how to apply the surveys and how to deal with their results • Tests: looking into weaknesses in design of policies, into proof of actual implementation of mechanisms and effective achievement of objectives and into actual operation of key controls
		<i>Survey to the staff of the institution</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Survey model: objective, instructions and questions
		<i>Auditing ethics: a suggested model</i> , J. R. Sousa Filho	<ul style="list-style-type: none"> • Surveys
		<i>The survey "integrity at work" within the Belgian federal government</i> , Heidi Paesen	<ul style="list-style-type: none"> • Useful to improve integrity policy within organisations • Advice on how to apply questionnaires
		<i>Guides to interviewing top management, senior management and others</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Objectives, preparation and questions for interviews
		<i>Guidance on audit of institutional framework for fighting corruption</i> , IDI	<ul style="list-style-type: none"> • Advice on how to conduct interviews • Advice on how to write questionnaires • Advice on how to conduct focus groups • Advice on how to use direct observation • How to use seminars and hearings • Advice on how to use case studies • Description of the possible techniques to analyse data • What is an audit finding, how to draft it, findings matrix
		<i>Integrity Assessment of Public Sector Organisations, Manual</i> , Netherlands Court of Audit	<ul style="list-style-type: none"> • Gap analysis
		<i>Guide to the SWOT analysis of organisational ethics</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Main elements and examples for the SWOT analysis
		ISSAI 5530	<ul style="list-style-type: none"> • Sufficient and appropriate evidence • Audit testing
		<i>Guide for the summary sheet of findings and findings sheet</i> , SAI of Costa Rica	<ul style="list-style-type: none"> • Structure, content and template of audit findings

5. REPORTING AND COMMUNICATION IN THE AUDIT OF ETHICS

Audit of ethics deals with a sensitive subject. Therefore reporting and communication before, during and after the audit requires special care.

While the topic is expected to be of a more sensitive nature, it is recommended that the reporting process largely follows a performance audit approach.

In fact, the audit of a public organisation's ethical framework will mainly focus on performance, in particular the efficiency and effectiveness of the measures put in place (and/or absence thereof) to ensure the ethical behaviour of the entity's management and staff. An audit on ethics should aim at improving integrity management, although it may imply compliance with existing rules/regulations. It is therefore essential that the reporting draws attention to and takes into consideration the existing legal provisions at national/regional level as well as the established rules and practice.

5.1. Reporting

The key to a good audit report is effective communication, with the report clearly and objectively setting out the main findings and conclusions on the audit questions, allowing the reader to understand what was done, why and how, and providing practical recommendations. Audit questions presented in the report should be those questions which give rise to the report's conclusions. These questions need not be exactly the same as the original audit questions, as set out in the audit planning phase.

The audit report of the audit of ethics shall follow the standards applicable for any audit report:

- It comprises sections on: introduction; objectives (clearly stating the purpose and reason of the audit); audit scope, approach and criteria; observations; conclusions; and recommendations.
- It must be objective, complete, clear, convincing, relevant, accurate, constructive, and concise. An effective quality control system is required to help ensure that the reports exhibit these qualities.

Since ethical issues tend to be perceived as sensitive and even subjective, concerns about their objectivity are of special importance. Audit reports need to be written from an independent unbiased viewpoint, with actual performance judged against objective (and, particularly important in this case, preferably agreed) criteria. The report should be balanced in content and neutral in tone, be fair and not misleading, with the audit results put into context. Objective reports give due recognition to positive aspects of performance, and are representative of what was actually found, rather than overemphasising or exaggerating deficient performance. Interpretations need to be based on insight and understanding of the facts and conditions. This can help ensure improved acceptance of the report by the auditee.

The report should contain all information and arguments needed to answer the stated audit questions and the relationship between the audit questions, criteria, observations and conclusions should follow a logic which aids understanding, with a clear link between the findings, conclusions and recommendations.

The main messages should be clear, relevant and easily identifiable and not be susceptible to misunderstanding. The information given should convince the reader of the validity of the findings, the reasonableness of the conclusions, and the benefit of implementing the recommendations.

The report's contents must pertain to the stated audit questions, be of importance and interest to the report's users, and add value, e.g. by saying something new about the topic. An important aspect of relevance is timeliness.

In ethics audit, accuracy is of the maximum importance. In ethical issues, it is very easy that concerned people argue that conclusions are a matter of perspective. So, conclusions must be based in well established and presented evidence. This evidence presented should be true and all findings correctly portrayed. This is based on the need to assure readers that what is reported is credible and reliable, as one inaccuracy in a report can cast doubt on the validity and credibility of the entire report and divert attention from its substance. In addition, inaccuracies can damage the SAI's credibility and reduce the impact of its reports. In what relates to culture and climate, the auditor must be very careful in the way it formulates the conclusions in connection to the value of the available evidence. It must clearly differentiate the cases where he/she can comfortably say that a situation 'is this' from those where he/she should say that people 'perceive it like this'. The fact in this latter case would not be the situation but, instead, the climate about that situation.

The report should be constructive, assisting management in overcoming or avoiding problems in the future, by clearly identifying who is responsible for the weaknesses identified and making practical recommendations for improvement. It is not appropriate to criticise management for issues that are beyond their control. Balanced reports, which give due recognition to positive aspects of performance, can help ensure improved acceptance of the report by the auditee.

The report must be presented as a useful instrument for the improvements' implementation, e.g. including practical recommendations for government, top managers or others responsible.

Conclusions and recommendations of the audit report of an audit of ethics should aim at improving integrity management and, consequently, could be related to the following issues:

- Adapting procedures to best practices
- Promoting written ethical standards and/or signing declarations of adherence to written good practices
- Defining concrete policies/guidelines regarding areas of business or authorisation of expenses
- Strengthening integrity awareness among staff
- Establishing an effective communication of the use of soft controls as a means to

increase the effectiveness of hard controls

- Promoting a culture of transparency regarding management practices
- Improving the quality of the information given to boards, management or the parliament
- Comprehensively reviewing the internal control systems' performance and/or strengthening them to confirm compliance with key controls
- Complying with applicable codes or rules and reinforcing the ability of some bodies and departments to ensure that compliance
- Improving guidance in the area of disciplinary action
- Establishing legal obligations of information to public to increase transparency and prevent corruption with the help of the general public
- Avoiding conflicts of interest in procurement, namely by preventing the purchase of consulting advice from the same companies that are negotiating contracts
- Promoting and supporting awareness raising and training programmes
- Adopting strategic approaches to whistleblowing arrangements, clarifying responsibilities in those procedures, sharing the information collected and using it to identify trends, target areas of risks and learn lessons
- Promoting the inclusion of special conditions for contract execution, with the view of fostering equality of gender in what concerns the access to the labour market.

5.2. Communication

Findings, conclusions and recommendations of ethics related audits are to be communicated in the same way as for any other (performance) audit according to the SAIs' position and mandate and following the country's/region's laws and regulations: to parliament (and to judiciary authorities when pertinent), the auditee, other stakeholders and the public at large (via press and media).

The role of parliament and oversight bodies, responsible for the scrutiny of public institutions, will be essential considering, once again, the particularly sensitive nature of ethics related subjects. Driven by a an increasing need for improved transparency and accountability in the public sector, they will play an important role in ensuring that corrective actions are taken and appropriate legislation and rules are adopted to address the identified conclusions and recommendations of the audits.

When audit conclusions and recommendations on ethical public management are issued, public reporting is quite important. Ethics audit reports should be made public and published via the similar channels as other SAI reports. Publication helps to ensure that the SAI's work results in real change and provides transparency in terms of the audited public organisation's ethical environment and behaviour (staff and management). The press/media and public at

large are the ultimate stakeholders when it comes to raising awareness and putting pressure to the public sector to increase transparency and accountability. The broadcast press and the written media play a significant role in raising awareness of SAI's findings and recommendations across the public.

For confidentiality reasons and depending on data protection rules and legislation, names of persons or entities might have to be removed from the report as to preserve anonymity. In case of unethical behaviour or potential fraud cases that might have been detected during the audit, applicable rules and procedures shall be followed which might have as consequence not to publish specific related information. In exceptional cases, the audit report might not be deemed fit for publication in its entirety.

Taking into account the potential restrictions related to confidentiality and data protection, audit reports on ethics shall be communicated through the press and media upon publication. While follow-up audits on management issues are less prone to public attention, in the case of follow-up of recommendations of audits on ethics, it is essential to communicate in a similar way as for the main/original report. This will reinforce the awareness of the role of the SAI in the process of scrutiny of public administration and entities.

Close communication with the auditee is of the utmost importance, also at the time of publication. As main stakeholder, it is essential that the auditee understands the potential impact (both internally and externally) of the audit of ethics for the organisation. The reputational risk is likely to be higher than during a standard performance or compliance audit of the entity's activities, operations and fund management responsibilities.

That's why the auditee needs to be involved in the audit from the offset. It is essential that there is a clear communication to the auditee on what the audit is going to be about and where the auditee will play a crucial role in the smooth process. A no surprise approach will ensure that the auditee adheres fully to the process and approach and will open the way to the effective implementation of the audit recommendations.

Confidentiality of the proceedings, until the final report is ready for publication, is essential in the context of audits on ethics.

Other stakeholders may be involved as well, such as ethics/integrity related national/international agencies/organisations. Their impact on awareness raising could be substantial and be determinant in exercising significant pressure for change and improvement in the ethical behaviour/culture of audited organisations. Some SAIs invite these organisations to specific briefings on the audit findings and recommendations.

The type of communication with the several stakeholders could also be enhanced. Audit of ethics is a new field and, if the SAI decides to undertake work in this area, the potential of causing an improvement in public sector's ethics management and in integrity culture should be optimised. The SAI could adopt some communication initiatives next to the different stakeholders to maximise impact of its reports, such as:

- Explain to stakeholders (including parliament) and auditees why it decided to adopt an ethical approach in its audit work, why it is important to do it and share with them the strategy it decided to adopt in this regard. This can be done by a

large variety of possible ways (documents, flyers, presentations, briefings, etc.)

- Share the guideline to audit ethics with stakeholders
- Compile best practice, lessons learnt and impacts from its audits of ethics and share them with stakeholders, notably in the SAI's annual reports
- Ask for feedback from the auditees concerning the usefulness of the audits of ethics and learn from that feedback

5.3. Impact

The audit report communicates the results of the audit work and, for that reason, it is one of the most important parts of the audit process.

The mere existence of the audit will contribute to an increased awareness and efforts to be made on identified shortcomings and improvements required in the ethical framework of an entity as well as the integrity of management. However, if written and communicated well, the audit report can be the most powerful tool for prompting management to corrective action.

Therefore, presenting the results of the audit in the most effective and impactful manner is a common challenge for all SAIs.

The audit and the recommendations given on the basis of the particular facts and findings identified are able to produce the following types of improvements in the public sector:

- Increasing the effectiveness of the control systems in place, since ethics is a relevant factor of risk assessment and an element of the internal control environment of the organisation
- Encouraging the set-up of missing processes and/or relevant control activities
- Stimulating and improving the set up and functioning of ethical infrastructures in public bodies
- Increasing the awareness of the importance of implementing and respecting ethical principles and values in public sector
- Stimulating relevant training and education on ethics
- Fostering the consistent application of rules and regulations related to ethics and ethical behaviour
- Enhancing ethical behaviour and ethical decision making
- Strengthening mechanisms for monitoring the implementation of ethical principles
- Decreasing the number of breaches and irregularities
- Improving prevention of fraud and corruption
- Increasing public awareness
- Change of management practices

- Increased public officials' accountability
- Amendments to legislation introduced
- Dismissal of public officials
- Sanctions applied to identified cases

5.4. Follow-up

Follow-up is essential to ensure that recommendations made are adhered to by the audited entity.

In particular, as regards ethics, demonstrating that all possible efforts have been made to improve ethical framework and to implement the audit findings and recommendations is essential for the credibility, accountability and reputation of the auditee.

To lead to effective change, the recommendations need first to be accepted by auditees and then to be implemented.

The SAIs need to ensure a proper monitoring of the implementation of their recommendations, knowing that it can take a significant period of time before some are implemented, due to their scale or complexity.

5.5. Reporting and communication: further guidance

Subject	Where to find	Content
Reporting, communication and impact	<i>ISSAI 5530</i>	<ul style="list-style-type: none"> • Good practices involving civil society organisations in the discussion of audit findings
	<i>Guidance on audit of institutional framework for fighting corruption, IDI</i>	<ul style="list-style-type: none"> • How to prepare the audit report • Attributes of a quality audit report • Good practice in writing audit reports and recommendations • Publishing and communicating the audit reports • Reaching the targeted audience • Follow-up mechanisms •
	<i>Integrity Assessment of Public Sector Organisations, Manual, Netherlands Court of Audit</i>	<ul style="list-style-type: none"> • How to prepare the audit report • Attributes of a quality audit report • Good practice in writing audit reports and recommendations • Improvements that can be produced
	<i>Public Sector Integrity - a Framework for Assessment, OECD</i>	<ul style="list-style-type: none"> • Publishing and communicating the audit reports • Reaching the targeted audience • Accountability of public officials • Integration of assessment findings in policy making

6. DO'S AND DON'TS IN THE AUDIT OF ETHICS

As already stressed in this guide, SAIs and their auditors face challenges when auditing ethics. This chapter summarises some of the main lessons coming from the experience of facing those challenges in assessments and audits already conducted. What should auditors make sure to do and what should they really try to avoid?

6.1. Understand and define very well the scope, goal and objectives of the audit of ethics

In chapter 3 we have described several possible approaches that a SAI may use in the field of auditing ethics related issues. If the choice is to conduct an audit targeted at assessing the ethics control system, the ethics infrastructure or the way in which a specific ethics related subject is dealt with, with the purpose of improving the public sector management in that regard, the following must be kept in mind.

Make sure to do	Make sure to avoid
Design the audit to go beyond rules, compliance and processes. Ethical behaviour is quite influenced by culture and attitudes. Make sure the audit covers that part as well.	
Be aware that the formal system (<i>stated values</i>) may be different from the values that actually guide organisational behaviour (<i>operating values</i>). Go beneath the surface into the actual ethics implementation and practice.	
Put the focus on achieving improvement: design the audit and its objectives in order to help improve integrity management, showing what can be done to better respond to integrity risks and to prevent integrity incidents.	Avoid worrying about identifying corruption or misbehaviour.
Performance measurement can be very costly and bureaucratic. Audit of ethics must be straightforward, simple and concentrate on the essential issues. Use the typical audit risk assessment approach to choose audit objectives.	
When assessing public policies to enhance integrity and prevent corruption, special attention must be given to the political neutrality of SAIs.	SAIs can question the inputs provided or the process followed in formulating policies but they should refrain from questioning the policy itself since that is political territory outside their mandate.
Take into account the auditee specificities in order to carry out effective audits of ethics. Timeless values must be considered along with the views of countries, professions, businesses, citizens, generations and profiles, which may introduce variations on what is seen as good or bad, on what is acceptable or neglectable or on ways to react to conduct. One must understand the specific organisation's culture, its own standards of ethical conduct and the specific risks it faces.	Do not stick just to basic controls that are required by law or regulations. Look also to additional controls that may be needed to mitigate the auditee specific risks.

6.2. Be attentive to adequate and effective communication with the auditee

Ethical culture and behaviour is a sensitive and emotive issue. Managers and employees may be afraid and not receptive to an audit in this field. Their understanding and trust is a key success factor.

Make sure to do	Make sure to avoid
Explain the audit scope and possible impact to the auditees: how the audit of ethics can help them improve integrity management, prevent integrity incidents and, in the end, improve their performance, effectiveness and trust of citizens.	Don't position yourself as if you are looking for concrete cases of corruption or misbehaviour.
Communicate the audit framework to the auditees. Make sure they understand it fully.	Don't change the framework you have communicated to the auditees during the audit: surprises are not welcomed.
Keep communication lines open during the audit. You may need to discuss criteria, methods used and content of surveys with auditees to reduce resistance and obtain collaboration.	
Share your findings and recommendations with the auditees. This will minimize the possibility that they oppose your final opinion.	Don't complete the final report without allowing the auditees to give their own views on the findings. Publish those views with the audit report.

6.3. Use the adequate methods and tools to reach the audit objectives

The audit of ethics assesses some circumstances and controls that are immaterial, difficult to measure and prone to subjective views and opinions. The auditors must use methods that allow insight into these areas but they also need to find ways of verifying that information, comparing it with recognised criteria and formulate objective findings.

Make sure to do	Make sure to avoid
	Do not use unclear or unrecognised criteria. Audit of ethics is new for SAIs and regarded as subjective but, in fact, there are enough established criteria on which to base the audits.
The audit questions are the key to determine the direction of the audit and to define the methods and techniques to be used: always ensure consistency between the audit criterion, the audit object, the audit objectives and the audit methods	

Make sure to do	Make sure to avoid
Consider the perspective of managers and employees of the organisation about the ethical culture and conduct: they will help you understand vulnerabilities and risks of the public body. For this, the auditor should use perception surveys, focus groups and interviews. Subjective data is used to assess perceptions, attitudes and feelings, which are the core of the ethical climate.	
Consider evaluation methods that protect confidentiality of employees who report honest opinions or wrongdoing by others.	Never violate a promise of confidentiality.
Apply surveys keeping some specific concerns in mind: use online survey tools to cover a wide population and to easily compile and analyse results; run the survey before starting the interviews; ask for factual knowledge on functioning and impact of integrity instruments; ask for explanations and comments to the answers and include cross validating questions; compare different perceptions by groups.	Avoid restricting the survey to a small number of senior staff. Survey and interview people with different positions, perspectives and insights. Avoid yes/no questions: ethical issues always have degrees.
Depending on environments, consider whether individual interviews provide better information than focus groups.	
Subjective and objective data must be combined to ensure reliability of audit findings. Combine results from different types of sources.	Surveys can accurately measure employee perceptions, but perceptions are not always accurate. Use the results of surveys to focus your audit. Results should not be reported as audit issues unless they have been validated with evidence.
	Do not settle for negative perceptions: identify their root cause, find out whether the weaknesses have been identified earlier and whether they have already been properly addressed by management.
Use benchmarking techniques. Consider the results of similar audits of comparable organisations showing relative weaknesses and strengths. Benchmarking enables organisations to learn from each other's approaches and concrete experiences and provides a baseline to compare and interpret assessment results.	
Use a maturity model to evaluate the ethical climate. Assessments will be more objective and accepted if based in recognised best practice description. These models help to identify strengths and gaps.	
After you gathered information and evidence, share you report of findings with the auditee and have the auditee check if the information in your report of findings is correct.	Be prepared to change the wording of the report but not judgements (unless provided with additional evidence).

6.4. Facilitate positive impacts

The audit of ethics is mainly intended to promote ethical behaviour and, in that way, induce improvement in public sector performance. A broad approach is required to achieve that.

Make sure to do	Make sure to avoid
The audit itself and the audit report should be designed to produce positive impacts in ethical management. Where possible identify and enhance good practice. This will reinforce acceptance of the audit, stimulate ownership and provide good example to others. Keep a constructive language always.	
	Avoid unnecessary damage to the reputation of the public sector. The audit report should be open to the public but the detail of the report can vary. Certain findings may be shared only with the auditee.
Prefer a broad approach: a theme transversal audit program instead of a one single audit will allow greater impact and improvement	
Maximise the impact of your audit by using several communication tools: special transversal reports, conferences, articles, training, etc.	
Follow the outcomes. Ask for responses from the auditee in a fixed timeframe. Repeat the audit after some time, so that progress is followed and a lasting effect is stimulated.	

6.5. Do's and don'ts of the audit of ethics: further guidance

Subject	Where to find	Content
Do's and don'ts of the audit of ethics	<i>Consolidating ethics in the public sector in Turkey, Ethics Audit Toolkit</i> , Land Registry of Turkey	<ul style="list-style-type: none"> Ethics audit do's and don'ts
	<i>Integrity Assessment of Public Sector Organisations, Manual</i> , Netherlands Court of Audit	<ul style="list-style-type: none"> Golden rules of integrity audit

Annex 1 to the TFA&E Guideline

“AUDIT OF ETHICS IN PUBLIC SECTOR ORGANISATIONS”

EXAMPLES AND AUDIT REPORTS

Subject	Title
Case study on audit of preventing corruption in the health sector	<i>Guidance on audit of institutional framework for fighting corruption, IDI</i>
Using data and benchmarks to highlight integrity vulnerabilities in public procurement	<i>Components of integrity: data and benchmarks for tracking trends in government, OECD</i>
Integrity surveys	<i>Integrity and integrity risks in the administrative culture, SAI of Hungary</i>
Auditing internal control	<i>Internal control and governance in FAS, SAI of Ireland</i>
	<i>Investigation into internal control in the defence sector, SAI of Norway</i>
Assessing the ethical infrastructure in government bodies	<i>State of integrity management in central government, SAI of Netherlands</i>
	<i>Efficiency of the ethical infrastructure functioning in the government bodies, SAI of Croatia</i>
	<i>Review of ethics in the public sector, SAI of Croatia</i>
	<i>Integrity policy in the federal tax departments, SAI of Belgium</i>
	<i>Systems to prevent corruption in government departments, SAI of Austria</i>
Auditing compliance and implementation of codes of conduct	<i>Codes of Conduct in public administration, SAI of Iceland</i>
	<i>State owned enterprises and corporate government principles, SAI of Portugal</i>
Auditing management of conflicts of interests	<i>Management of conflict of interest in selected EU agencies, ECA</i>
	<i>Sponsoring and use of external consultants, SAI of Germany</i>
	<i>Conflicts of interests, SAI of UK</i>
	<i>Prevention of conflicts of interests in health expertise, SAI of France</i>

Subject	Title
Auditing management of conflicts of interests	<i>Auditing conflict of interests (results of a YES workshop), P. Costa, SAI of Portugal</i>
	<i>Investigation: The Department's management of a potential conflict of interest (Department for Education), SAI of UK</i>
	<i>Whether the Society Integration Foundation ensures traceability of the allocation of the State budget funds to associations and foundations as well as control over the use thereof? SAI of Latvia</i>
Auditing whistle-blowing policies	<i>Government whistleblowing policies, SAI of UK</i>
	<i>Making a whistleblowing policy work, SAI of UK</i>
	<i>The role of prescribed persons, SAI of UK</i>
Auditing post- employment restrictions	<i>Audit of the implementation of the cooling-off law, SAI of Israel</i>
Auditing staff recruitment and management	<i>Political appointments at the Ministry of Environmental Protection, SAI of Israel</i>
	<i>Hiring of employees in public corporations, SAI of Israel</i>
	<i>Ethical aspects regarding the service of elected officials, SAI of Israel</i>
	<i>Bank of Israel – Salary benefits, SAI of Israel</i>
	<i>Foreign allowances granted to civil servants, SAI of Netherlands</i>
Auditing political financing	<i>Political financing and donations to political parties, SAI of Israel</i>
Auditing gifts and hospitality policies	<i>Gifts and benefits for public servants, SAI of Israel</i>
	<i>Investigation into the acceptance of gifts and hospitality, SAI of UK</i>
Auditing the use of public assets	<i>The former prime ministers publicity managers use and misuse of phones, taxi and credit cards, SAI of Denmark</i>
	<i>Expenditures of the Prime Minister's Residences, SAI of Israel</i>
Integrity in public procurement	<i>Public Procurement analysis through case studies, SAI of Malta</i>
	<i>Inquiry and report on the purchase of personal computers, SAI of Malta</i>
	<i>Investigation relating to the tender issued for the provision of warden services and installation of CCTV cameras by four Local Joint Committees, SAI of Malta</i>
	<i>Defence Contracting Integrity, SAI of USA</i>
	<i>Dr Foster Intelligence: a joint venture between the Information Centre and Dr Foster LLP, SAI of UK</i>

Subject	Title
Integrity in licensing	<i>Integrity in marketing emission licenses in the EU, ECA</i>
Auditing enforcement arrangements	<i>Execution of the disciplinary function by Public Administrations, SAI of Italy</i>
	<i>Investigation and prosecution of fraud, SAI of Netherlands</i>
Assess concrete misbehaviour	<i>The professional conduct of a high ranking Government official, SAI of Malta</i>
Fraud and corruption approach	<i>The fight against tax fraud, SAI of France</i>
	<i>Prevention of corruption in the work organization of rural municipalities and cities, SAI of Estonia</i>
Promoting the equality of gender through public procurement	<i>Contracts awarded between 2010 and 2011 by the entities qualified as public units under the Public Procurement Law, SAI of Spain</i>

Annex 2 to the TFA&E Guideline

“AUDIT OF ETHICS IN PUBLIC SECTOR ORGANISATIONS”

GLOSSARY

Subject	Definition	Source
Audit	<i>Review of a body’s activities and operations to ensure that these are being performed or are functioning in accordance with objectives, budget, rules and standards. The aim of this review is to identify, at regular intervals, deviations which might require corrective action.</i>	INTOSAI GOV 9100, p. 59
Compliance audit	<i>Independent assessment of whether a given subject matter is in compliance with applicable authorities identified as criteria</i>	ISSAI 400, p. 3
Corruption	<i>Any form of unethical use of public authority for personal or private advantage</i>	INTOSAI GOV 9100, p. 61 – referring to XVI INCOSAI, Uruguay, 1998
	<i>The misuse of entrusted power for private benefit</i>	INTOSAI GOV 9100, p. 61 – referring to Transparency International
Ethics	<i>Values and principles on which to base behaviour.</i>	ISSAI 30, p. 4
	<i>Ethics is the branch of philosophy that defines what is good for the individual and for society and establishes the nature of obligations or duties that people owe themselves and one another. It is embodied in the moral values of a society and individual, that guide one’s acts in a particular circumstance. Ethics vary across countries, time, cultures and organisations.</i>	Par. 2.1
Ethics management	<i>Ethics management involves a well-balanced mix of structure oriented and culture oriented actions and instruments, to uphold the institutional integrity of that organisation. . Ethics must be a standard component in the management and policy cycle.</i>	Par. 2.6
Financial audit	<i>Determining whether an entity’s financial information is presented in accordance with the applicable financial</i>	ISSAI 200, p.1

Subject	Definition	Source
	<i>reporting and regulatory framework</i>	
Forensic audit	<i>The application of accounting methods to the tracking and collection of forensic evidence, usually for investigation and prosecution of criminal acts such as embezzlement or fraud. Also called forensic accounting.</i>	http://www.businessdictionary.com/definition/forensic-audit.html)
Fraud	<i>An unlawful interaction between two entities, where one party intentionally deceives the other through the means of false representation in order to gain illicit, unjust advantage. It involves acts of deceit, trickery, concealment, or breach of confidence that are used to gain some unfair or dishonest advantage</i>	INTOSAI GOV 9100, p. 63
Governance	<i>The process of decision making and the process by which decisions are implemented</i>	http://www.unescap.org/sites/default/files/good-governance.pdf)
Good Governance	<i>Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimised, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society</i>	http://www.unescap.org/sites/default/files/good-governance.pdf)
	<i>Competent management of a country's resources and public tasks in a manner that is appropriate, transparent, accountable, equitable and responsive to people's needs.</i>	INTOSAI GOV 9160, p. 7
Integrity	<i>To act honestly, reliably, in good faith and in the public interest</i>	INTOSAI Code of Ethics, p. 5
	<i>The honest behaviour of the individual or organisation in line with the relevant ethical values. It is the behavioural outcome of ethics.</i>	Par. 2.2
Integrity culture	<i>Culture is the self-sustaining pattern of behaviour that determines how things are done. An enduring culture of integrity establishes doing the right thing, as the cultural norm across the organisation – and this requires more than compliance alone.</i>	
	<i>Ethical climate and culture encourage ethical behaviour, through perceptions, commitment and satisfaction, influencing performance and conduct.</i>	Par 2.5
Internal control	<i>An integral process that is effected by an entity's management and personnel and is designed to address risks and provide reasonable assurance that in pursuit of the entity's mission, the following general objectives are being achieved: executing orderly, ethical, economical,</i>	INTOSAI GOV 9100, p. 6

Subject	Definition	Source
	<i>efficient and effective operations, fulfilling accountability obligations, complying with applicable laws and regulations and safeguarding resources against loss, misuse and damage</i>	
Management control	<i>A management function aimed at achieving defined goals within an established timetable, and usually understood to have three components: (1) setting standards, (2) measuring actual performance, and (3) taking corrective action.</i>	http://www.businessdictionary.com/definition/management-control.html
Performance audit	<i>Independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement</i>	ISSAI 300, p. 2
Public sector	<i>Public sector includes the legislative, executive, administrative, and judicial bodies as well as public corporations, state-owned enterprises, public-private partnerships and entities that deliver public services (e.g. health, education and public transport).</i>	
Transversal audit	<i>Simultaneous examination whereby crosscutting issues such as a specific focus area, theme or topic are examined in more than one audited entity using the same audit methodology and procedures.</i>	Par 3.5

TASK FORCE ON AUDIT & ETHICS
Participating Member SAIs

Portugal (Chair)

Albania

Croatia

Czech Republic

ECA

Finland

Former Yugoslavia Rep. Macedonia

France

Germany

Hungary

Israel

Italy

Malta

Moldova

Montenegro

Poland

Romania

Russian Federation

Serbia

Spain

The Netherlands

Turkey

United Kingdom

