

# **A NEW HORIZON FOR A BETTER FUTURE IN PUBLIC SECTOR**

## **“ETHICS AUDIT”**

# 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.
- ⦿ Values and principles on which to base behaviour.

# 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.

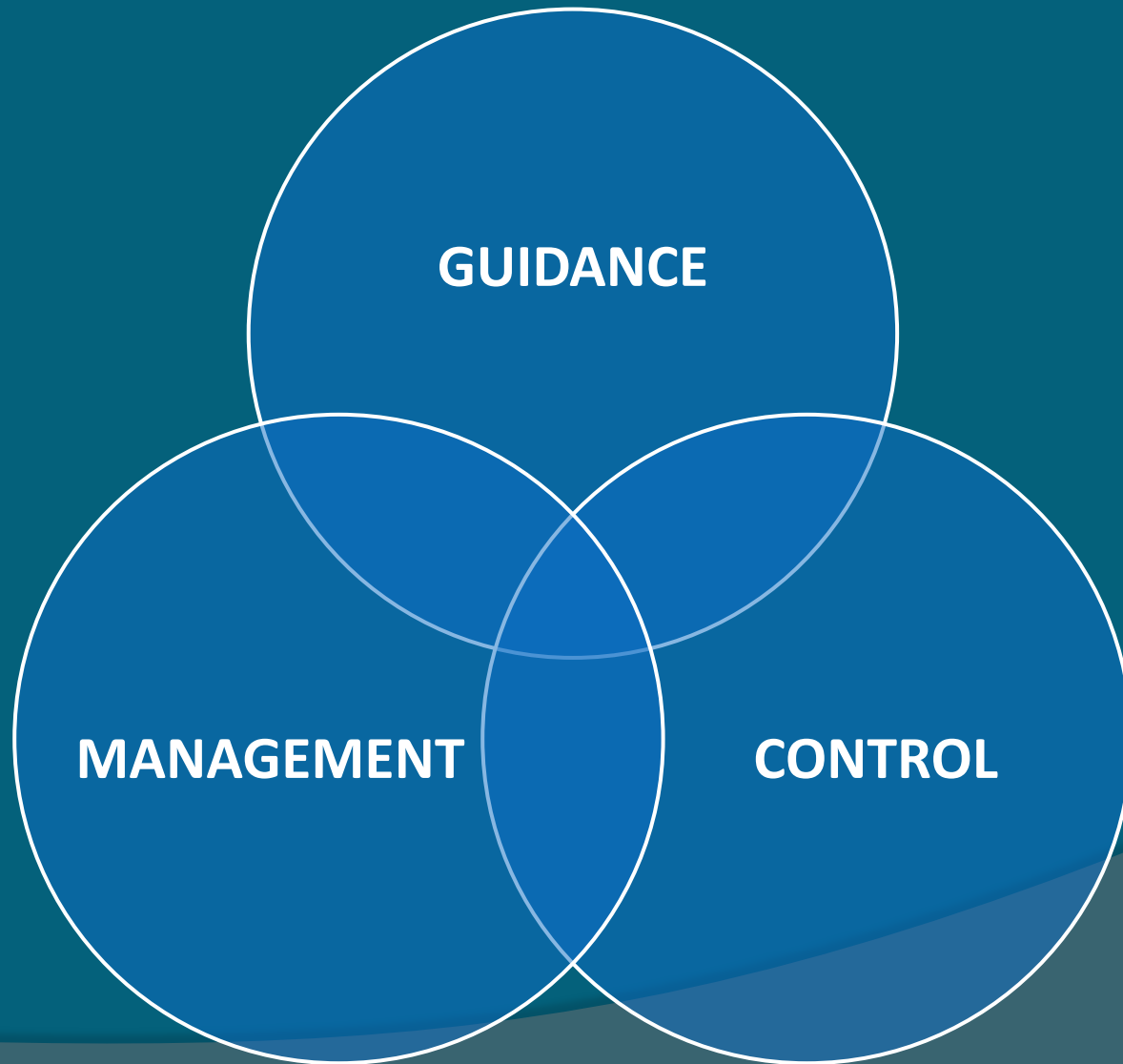
# Why Is Ethics Important for Public Sector?

- ⦿ 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.

# Ethics Management

- ① 'Ethics management' means the planning, implementation and co-ordination of activities of an organisation for the achievement of the institutional integrity of that organisation.
- ② It is an integral part of operational management of an organisation and a responsibility of the organisation's leadership.

# ETHICAL INFRASTRUCTURE



# Objectives of Public-Sector Auditing

- 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.  
*(ISSAI 100)*

# What Is An Audit of Ethics?

- ① An audit of ethics is a process used to evaluate several dimensions of the ethical conduct of an organisation.
- ① It assesses how well (or poorly) an organisation conforms to agreed benchmarks of ethical standards.



# Purpose of an Audit of Ethics

- ① 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.

# Purpose of an Audit of Ethics

- ⦿ Identify areas of concern;
- ⦿ Evaluate the extent of any perceived problems;
- ⦿ Suggest ways forward by which these problems can be tackled (implementation of new regulations; ethics training; etc.).
- ⦿ Act as an ethical 'health check';
- ⦿ Identify existing good practice;
- ⦿ Further strengthen the organisation.

# Role of SAIs

- 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.

# SAIs' Mandate to Audit Ethics

- ⦿ 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.

# Relation to Other Types of Audit and Relevant ISSAI

- ① ISSAI 100 distinguishes financial audit, performance audit and compliance audit as the three main types of public sector audit.
- ① 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.

# Relation with Financial, Compliance and Performance Audits

- ④ 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.
- ④ 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.

# Ethics Audit Approaches

- ④ Audit of the internal control systems (ethics components)
- ④ Audit of the ethics management system in an organisation or sector
- ④ Subject focused audit approaches
- ④ Audit of the ethics infrastructure within the whole government

# Examples of Ethics Audit

- ① Cross-government, Conflicts of Interest, Audit report by the UK NAO
- ① Investigation into internal control in the defence sector, SAI of Norway
- ① Efficiency of the ethical infrastructure functioning in the government bodies, SAI of Croatia



# Examples of Ethics Audit

- ① State owned enterprises and corporate government principles, SAI of Portugal
- ① Investigation into the acceptance of gifts and hospitality, SAI of UK
- ① Execution of the disciplinary function by Public Administrations, SAI of Italy

# Areas to Conduct Ethics-Audit

- ⦿ Some areas of activity in the public sector produce higher risk of breaching ethical aspects than others. (For example; procurement or granting of subsidies)
- ⦿ 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.

# Audit Scope

- ④ The subject matter of the audit of ethics may be specific programs, processes, procedures, systems, or the ethical culture of the entities.

# Audit Questions

- Does the organisation have an integrity management system?
- Is this system effectively implemented?
- Is the ethical culture of the institution conducive to ethical behaviour?

# Audit Criteria

- ⦿ Stated requirements, such as national legislation concerning public management systems, or international agreements, e.g. ratified conventions
- ⦿ 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

# Methods to Collect Data

- ① Document or case review
- ① Sampling
- ① Observation of processes or procedures
- ① Inquiry and Interview
- ① Questionnaires-Surveys
- ① Focus groups

# Success Factors for SAIs in Ethics Audit

- ① Being ethical model.
- ① Audit Strategy
- ① Communication
- ① Methodology
- ① Awareness raising activities
- ① Team building

# Success Factors for Audit Teams in Ethics Audit

- ① Understanding the concept of ethics audit very well.
- ② Adequate and effective communication with the auditee
- ③ Using the adequate methods and tools to reach the audit objectives
- ④ Facilitate positive impacts



# Possible Impacts

- ❑ Increased public officials' accountability
- ❑ Enhancing ethical behaviour and ethical decision making
- ❑ Decreasing the number of breaches and irregularities
- ❑ Improving prevention of fraud and corruption

# Possible Impacts

- ❑ Increasing public awareness
- ❑ Increasing the effectiveness of the control systems in place
- ❑ Encouraging the set-up of missing processes and/or relevant control activities
- ❑ Amendments to legislation introduced
- ❑ Sanctions applied to identified cases

THANK YOU FOR YOUR ATTENTION

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ACCOUNTS