

THE IMPORTANCE OF AUDITING ETHICS FOR A SAI

**Tzvetan Tzvetkov, CIA, CGAP, CRMA -
President of Bulgarian National Audit Office**

135 years of the establishment and **20** years



of the restoration of the Supreme Audit Institution in Bulgaria

Ethics is a fundamental principle of INTOSAI:

Auditors should comply with the relevant ethical requirements and be independent.

item 36, ISSAI 100

Auditors should obtain an understanding of the nature of the entity to be audited and its environment. This includes an understanding of the respective internal controls.

item 45, ISSAI 100



About Ethics:

Ethics are a system of moral principles that govern a person's behaviour or the conducting of an activity.

Ethics in SAIs - set of values and principles on which to base behaviour. Guidance on how to embed those values in daily work and in the particular situations of a public audit institution.

Preamble, ISSAI 30, Exposure Draft



How can SAIs check the ethics in the organizations?

- When examining the internal control system of the audited organization both the adequacy of the control environment and the reliability of the established control procedures are assessed.
- An assessment of the operating effectiveness of the key controls is carried out.
- As a separate compliance audit, aimed at assessing the existence and the functioning of the ethical infrastructure.



Why is it important to audit Ethics?

- Ethics is a required part of the public governance.
- Ethics is a key factor for the achievement of the organization's objectives.
- To explore sensitive areas related to ethics.
- Preventive tool for improving public governance.

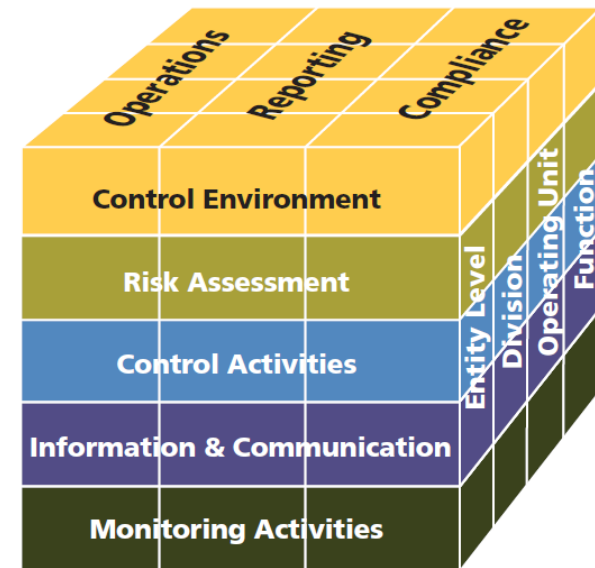


Ethics is a required part of the public governance and performance

The organization must demonstrate a commitment to integrity and ethical values.

Ethics is the integrated component of the control environment.

Ethical infrastructure contributes to the mitigation of risks to the achievement of objectives. It could be soft-controls or hard-controls.



COSO Internal Control – Integrated Framework



Ethics and the organization's objectives

Every internal control system, no matter how perfect, can be disregarded or circumvented if there is no **good organizational environment** and **ethical climate** in place.



Sensitive areas:

- ✓ Public procurement;
- ✓ Fighting corruption;
- ✓ Safeguard the reputation of the organization;
- ✓ Fairness of treatment;
- ✓ Conflict of interest;
- ✓ Leadership;
- ✓ Organizational performance;
- ✓ Working environment;
- ✓ Relationship among colleagues.



When auditing Ethics a SAI:

- Can restore the trust and confidence in the public organizations;
- Can encourage improvement in ethics practices in the public sector;
- Would promote transparency, accountability, and value for money;
- Would be a relevant issue especially in the field of public procurement;
- Can foster integrity and ethical decision making process.



The SAI has to lead by example:

- The BNAO has adopted a Code of Ethics and all BNAO staff are familiar with it;
- A mechanism for the observance of the Code of Ethics is established:
- Direct supervisors and Ethics Committee;
- Rules of procedure of the Ethics Committee – published on the BNAO Intranet;
- Reporting mechanism in cases of violation of ethical principles;
- Review of cases and report to BNAO President for a decision on undertaking relevant action.



Bulgarian National Audit Office



Thank you for your attention!

