



ETHICS IN SUPREME AUDIT INSTITUTIONS: THE IMPLEMENTATION CHALLENGE

Athens, 4/5 March 2019

THE WORKSHOPS

The Hellenic Court of Audit (HCA) organised two workshops about “*Ethics in Supreme Audit Institutions: the implementation challenge*” on 4 and 5 March 2019.

These workshops were facilitated by Ms Helena Abreu Lopes, Judge Counsellor in the Portuguese Court of Auditors. Ms Helena Abreu Lopes has also been chairing the works of the EUROSAI Task Force on Audit & Ethics since 2011. In that capacity, she has also participated in the INTOSAI team to review ISSAI 30 (INTOSAI Code of Ethics).

70 participants from the Hellenic Court of Audit (comprising judges and judicial employees) participated in the workshops. The workshop held on 5 March was also web streamed to regional offices of the Court.



The objective of the workshops was to make the members and staff of the HCA aware of the main risks, challenges and responsibilities related to ethical conduct in a supreme audit institution and of the need to promote an effective ethical culture. The possibility of including an ethical approach in the audit work was also dealt with.

The workshops tackled the following aspects:

- *Why is ethics important for Supreme Audit Institutions*
- *How far has ISSAI 30 been changed in 2016*
- *The importance of ethical values*
- *The main ethical risks in a Supreme Audit Institution*
- *The ethical responsibilities of a Supreme Audit Institution and the «ethics control system»*
- *How can Supreme Audit Institutions promote integrity in public sector organisations through their audit work*

The workshop included presentations and interactive exercises and discussions. In these latter, the participants were offered opportunities to discuss and identify aspects to be improved in the organisation and in their daily conduct.

THE IMPORTANCE OF ETHICS FOR SUPREME AUDIT INSTITUTIONS (SAIs)

Supreme Audit Institutions' work aims 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 SAI must conduct all its activities in accordance with the fundamental principles of independence, transparency, ethics, quality and accountability. An independent and professional SAI lives the principles that it expects from the audited public sector entities, leading by example.

In this context, enhancing the ethical framework of SAIs is crucial for them to pursue their role in an effective manner. This is stressed in the main INTOSAI principles and standards, such as ISSAI 12. It is now also clearly highlighted in the revised ISSAI 30, endorsed by the INCOSAI 2016 at Abu Dhabi.

The INTOSAI Code of Ethics (ISSAI 30) provides SAIs and the staff working for them with a set of values and principles on which to base behaviour. Furthermore, recognising the specific environment of public sector auditing (often different from that of private sector auditing), it gives additional guidance on how to embed those values in daily work and in the particular situations of a SAI.

The implementation of the revised INTOSAI Code of Ethics is now a significant challenge for SAIs.

The workshops identified how unethical behaviour can put the reputation and credibility of the SAI at risk and looked into the content of ISSAI 30 and into the challenges it implies. Consideration was also given to the 2017 OECD recommendation on public sector integrity and to the EUROSAI Task Force on Audit & Ethics (TFA&E)'s guidance for SAIs on how to implement the revised INTOSAI Code of Ethics and on how to conduct audit of ethics in public sector organisations.

THE ETHICAL VALUES AND THE MAIN ETHICAL RISKS IN A SAI

Participants on the workshops were invited to discuss the meaning of the five fundamental ethical values included in the revised ISSAI 30: ***Integrity, Independence and Objectivity, Competence, Professional Behaviour and Confidentiality and Transparency***. They were also asked to reflect on the importance of these values for their daily work.

Participation was quite active and positive: people talked to each other about ethical problems they face daily and the concrete risks of unethical conduct.



Integrity

According to ISSAI 30, ***Integrity*** means to act honestly, reliably, in good faith and in the public interest.

When discussing this value, participants chose the following image to represent it:



Participants considered that this image illustrates how integrity means refraining from acting unethically in exchange of benefits.

They mentioned that acting with integrity is acting with honesty, sincerity, good faith, dignity, loyalty, in the sake of public interest, being trustworthy and staying committed to a set of socially acceptable ethical values. Respect, courtesy, modesty, impartiality and leading by example were also mentioned. Acting against these ideas or changing one's beliefs depending on particular interests was considered as non-acceptable.

The participants considered the risks of political influence, pressure from the auditee or other external sources, conflicting interests of political, religious or personal nature, close relationships, favouritism, bribery and abuse of power as the main ethical threats related to this value that may arise in their daily work.

Independence and Integrity

According to ISSAI 30, the value of ***Independence and Objectivity*** means being free from circumstances or influences that compromise, or may be seen as compromising, professional judgement, and to act in an impartial and unbiased manner.

When discussing this value, participants chose the following images to represent it:

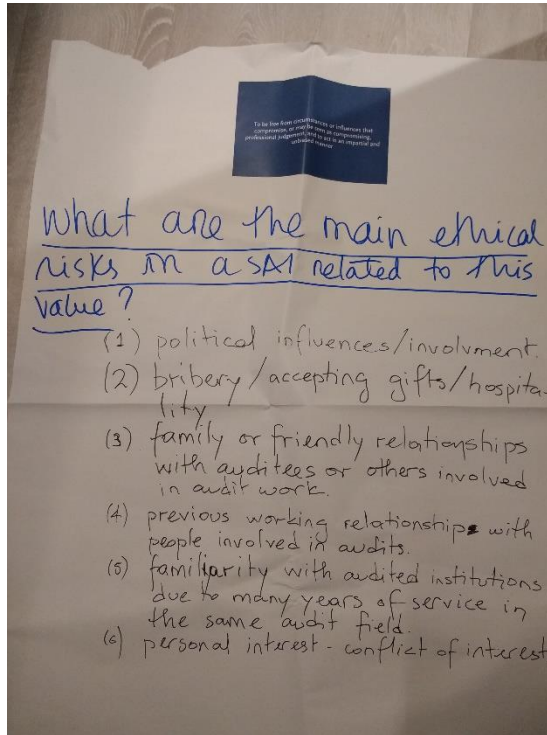


Participants considered that these images illustrate how independence and objectivity mean being free from influences and not taking sides.

They mentioned that acting with independence and objectivity is judging, handling or facing similar situations according to identical criteria, based on applicable rules and ethical values and principles, acting in a neutral way and expressing opinions without prejudice. Being forced to act in a certain way, favouring acquaintances or friends and acting biased or influenced by

internal or external factors were considered as non-acceptable. It was stressed that being or appearing to be non-objective or biased are equally important.

The participants considered the risks of political influence and political involvement, conflicting interests of personal nature, close relationships with the auditees, previous working relationships, bribery and accepting gifts and hospitality as the main ethical threats related to this value that may arise in their daily work.



Competence

According to ISSAI 30, the value of **Competence** means acquiring and maintaining knowledge and skills appropriate for the role and acting in accordance with applicable standards and with due care.

When discussing this value, participants chose the following image to represent it:



Participants considered that this image illustrates how the work of SAIs must rely on teams' work, on solid skills, on strategy, structure and coordination and on due care.

They mentioned the importance of gathering the right skills, of being willing to acquire new knowledge, of ensuring adaptability and of being involved in training and knowledge sharing activities. Acting individually, being indifferent, relying solely on the knowledge already acquired and not being open-minded to new challenges and to personal and professional development were considered as non-acceptable.

The participants considered that the main risks to their competence that they face in their daily work are:

- Lack of job descriptions and role qualifications
- Inappropriate allocation of staff
- Inadequate training
- Lack of initiatives
- Insufficient knowledge sharing
- Gender discrimination
- Low team spirit
- Arrogance and over ambitious persons.

Professional Behaviour

According to ISSAI 30, ***Professional Behaviour*** means to comply with applicable laws, regulations and conventions, and to avoid any conduct that may discredit the SAI.

When discussing this value, participants chose the following images to represent it:



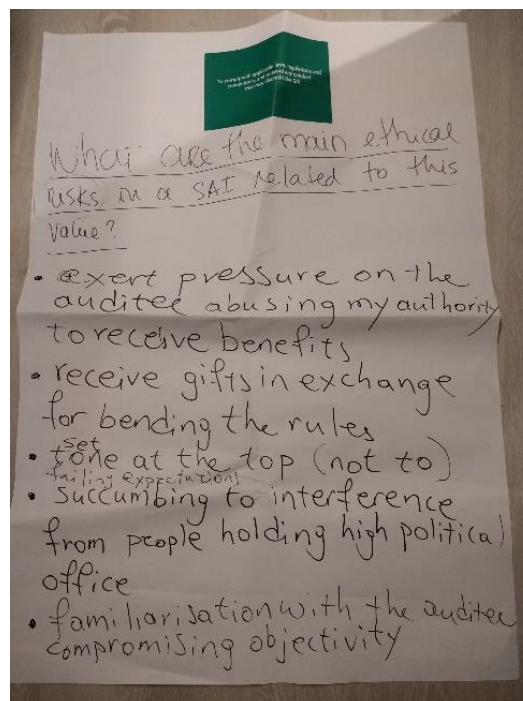
Participants considered that these images illustrate how Professional Behaviour means acting according to rules and guidance towards a common goal (public interest), in an organised way

and as a part of a group. For them, being professional means also to help each other to improve, not hiding weaknesses but, instead, reflecting collectively on them and using them as opportunities to improve, as well as helping auditees to improve through the SAI's recommendations, thus giving credit to the institution.

They mentioned that acting with Professional Behaviour is complying with applicable legal and ethical frameworks, acting with team spirit and being polite. Disrespecting rules and standards, being indifferent, acting with too much familiarity with auditees, disclosing undue information or being bribed were considered as misconduct.

The participants considered the following risks as the main ethical threats arising in their daily work related to this value:

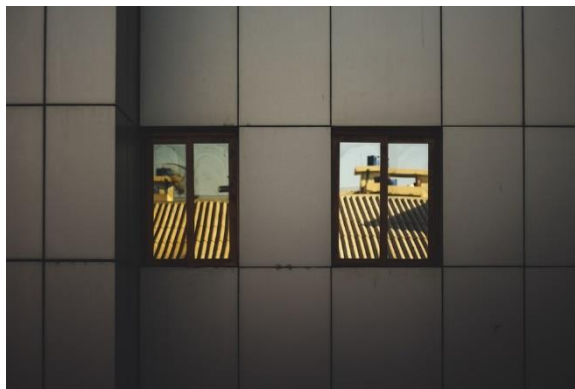
- Non-certification of auditors
- Weak strategic approach to training
- Insufficient effectiveness of the evaluation system in place
- Not enough financial independence of the SAI
- Receiving gifts in exchange for bending the rules
- Failing expectations
- Not setting tone at the top
- Succumbing to interference from people holding high political office
- Exerting pressure on the auditee, abusing one's authority
- Close relationships with the auditee



Confidentiality and Transparency

According to ISSAI 30, **Confidentiality and Transparency** means to appropriately protect information, balancing this with the need for transparency and accountability.

When discussing this value, participants chose the following images to represent it:



Participants considered that these images illustrate how Confidentiality and Transparency mean different things and need to be balanced. While the walls of the building secure confidentiality, the windows represent transparency. The windows may be opened or closed, which represents the level of information that can or cannot be disclosed.

They mentioned that internal information must be safeguarded and shared only with the appropriate people at the right time. The need to protect confidential information and personal data needs to ensure that public interest is safeguarded as well. Sharing information without any control, disclosing inside information for personal benefit, hide information or modify the conclusions of audit work were considered as non-acceptable.

The participants considered the following risks as the main ethical threats arising in their daily work related to this value:

- Disclosure of information without authorisation
- Using information for personal gain (e.g. concerning hospitals)
- Holding information on evidence or holding reports for long periods of time for personal benefit or benefit of the auditee
- Not establishing access levels to information
- Discussing working related issues in public
- Spreading erroneous information
- Pressure from auditee's management

THE ETHICS CONTROL SYSTEM

One of the most important changes introduced in the revised ISSAI 30, as approved in December 2016, in the INCOSAI, is that this ISSAI adopts now an institutional perspective. The ISSAI is no longer solely about the behaviour of auditors but it also highlights a specific responsibility for SAIs to guide, manage and control ethical conduct.

This ISSAI describes and requires overall responsibilities for SAIs in promoting and safeguarding ethical values, mainly through establishing and implementing an ethics control system.

The ethics control system is an organisational policy on integrity: a set of strategies, policies and procedures to promote and safeguard ethics in every aspect of the SAI and its activities. The main components of the ethics control system are a code of ethics, an ethical leadership, ethics guidance, ethics management and ethics monitoring. The following table describes the components of this system:

GUIDANCE	MANAGEMENT	MONITORING
Codes of ethics	Leadership (tone at the top and tone at the middle)	Identification and mitigation of integrity risks
Leadership (strategic direction and priority of ethics)	Ethical assessment in recruitment	Independence and objectivity-related controls
Raising awareness	Ethical criteria in performance appraisal	Addressing conflicts of interests (identify, declare, monitor)
Training	Reward and recognition policies and practices towards ethical behaviour	Political neutrality, use of social media and gifts and hospitality policies
Benchmarking	Balance confidentiality and transparency	Whistleblowing policies
Intranet	Rotation policies	Effective enforcement in case of violations
Counselling	Open culture	Self assessments and internal evaluations
Ethics Committees		External evaluations
Addressing ethical dilemmas		Assessment by stakeholders
		Published assessments

As concerns the ethics related policies of the SAI, the participants in the workshops were invited to identify those elements that are already in place in the Hellenic Court of Audit and those that could be improved in order to support them in facing the ethical risks previously identified.

The several discussion groups highlighted the following:

ETHICS: What do we already have in place in our SAI?

- Almost all participants recognised that the Hellenic Court of Audit's staff is bound by applicable rules and standards of ethical nature included in the following instruments:
 - The Greek constitution (articles 87,88,89,90,92)
 - The Civil Procedure Code (article 52)
 - The HCA Fundamental Law 4129/13
 - The judges' code, Law 1756/1988 (articles 37,40, 41, 49, 53,85, 91)
 - The judicial employees' code, Law 2812/2000 (articles 40, 49, 50, 51, 52, 59, 62, 68, 92, 152)
 - Audit Manual, Chapter 3.
- They considered that these instruments establish basic ethical values, such as Independence, Objectivity, Confidentiality, Transparency and Respectable conduct towards the citizens.
- They mentioned that these instruments also regulate ethical principles and tools such as incompatibilities, ethos, conflicts of personal interests, misbehaviour/disciplinary offences, conflicts of interests for judges and managers, prohibition for judges to participate in boards/councils or provide paid service/executive services, prohibition for auditors to participate in boards/councils or provide paid services, provisions for special declaration of property, and enforcement rules and competences for the case of violations.
- Therefore, many participants stated that these legal rules and the official audit manual include a preliminary code of ethics in line with INTOSAI standards; some mentioned that according to the audit manual, page 3, lines 8-11, the code of ethics of INTOSAI and the code of ethics for professional accountants of IFAC are applicable, and a few participants also mentioned that there is a HCA code of ethics under construction.
- A group has considered that transparency is achieved by publishing audit reports on the Court's website as well as when audit reports of high public interest are presented on Parliamentary committees.
- Participants mentioned independence and objectivity-related controls such as:
 - A staff rotation policy, ensuring rotation of posts for both judges and judicial employees according to good practices. Usually, every three or four years auditors and audit managers change audit objects.
 - Declarations of independence by every audit team member before the project commences.
- They also recognised the practise of raising awareness activities and training.

ETHICS: What could be improved in our SAI?

- Several participants mentioned the need to **create a complete ethics control system** in the HCA, incorporating a strategic approach to ethics, including several policies to guide, manage and monitor ethical behaviour and defining a system of internal controls.
- As concerns the **code of ethics** (basis of any ethics control system), although some participants have considered that this code is somehow included in applicable rules and in the audit manual, many identified the establishment of a (detailed) code and its implementation as an aspect to be improved:
 - *“ethics regulations should be written down into an ethics code, in our SAI”*
 - *to “set criteria for behaviour and performance”*

One group suggested that the code should be reviewed every 10 years.

- Regarding **leadership**, participants mentioned the need to:
 - Lead by example
 - Consider ethics as a priority
 - Put it in the top management agenda
 - Allocate resources to ethics
 - Ensure true professional management
 - Respect, guide and give feedback
 - Be fully accountable for own and other’s decisions and behaviours
 - Ensure high standards of accountability and transparency, and
 - Take firm corrective actions when needed.

One must mention that these aspects concern top management and middle management as well: *“set the tone at the top and at the middle”*.

- In what relates to other **guidance policies**, participants highlighted:
 - The need to implement more training activities related to ethics *“to increase awareness about ethical behaviour”*, *“in order to promote an ethical culture”* and *“addressing ethical dilemmas”*
 - The need to improve team work, training individuals to work in teams and to cooperate among themselves
 - The advantage of sharing experience and expertise with other SAIs, using benchmarking practices
 - The need for a counselling function, with ethics advisors and/or ethics committees, to help them in their daily work: *“establish ethics advisory mechanisms”*
 - The need to improve and effectively implement rotation policies: *“some of us stay in the same office more than 4 years, and some even 8 years”*.
- As pertains **ethics management**, participants indicated that some Human Resources management tools should be implemented, such as:
 - Job descriptions
 - Job qualification schemes
 - Ethical assessment in recruitment
 - Ethical criteria in performance appraisal
 - *“We need rewards and recognition policies to ethical behaviour”*

- Improved interaction/communication at all levels of the pyramid of the SAI
- Ensure continuous updating of auditing procedures and the compliance of audit reports towards ISSAIs
- Safeguard the financial independence of the SAI
- Many suggestions concerned **ethics monitoring** measures:
 - The code of ethics should include a system of sanctions and rewards with consequences for the cases of misconduct
 - *“The establishment of a Committee or a Department within our SAI , that will deal with controlling the Ethics Code application”*
 - *“Establish ethics monitoring tools”* related to political neutrality, use of social media and gifts and hospitality
 - Establish a whistleblowing strategy
 - Adopt self-assessment methods



CONCLUSION

The purpose of this document was to summarise the results of the workshops for the Hellenic Court of Audit. The views and opinions expressed by participants may be considered by the leadership of this SAI in the view of reflecting, studying and possibly adopting some tools that may improve its guidance, management and monitoring of ethics.

One must recognise that the perceived meaning of values by participants is in line with the main elements described for them in ISSAI 30. The doubts, problems and dilemmas experienced by the members and staff of the Hellenic Court of Audit are also aligned with those identified by the staff of other European SAIs and with those reflected in the papers and documents issued by the TFA&E.

Nevertheless, we highlight that some issues were often mentioned and repeated, notably those related with political influence, auditees' pressure and lack of team spirit. The SAI may wish to

analyse these issues in more depth and eventually take adequate measures focusing in these areas.

As regards policies and tools that could be adopted to support staff in dealing with the ethical doubts and dilemmas, the more highlighted and important ones were the need:

- To formalise a code of ethics consistent with the revised ISSAI 30 (clarifying the expected ethical behaviours for everyone in the SAI)¹;
- Of more systematic and targeted ethics training (dealing, for instance, with the discussion of concrete cases);
- For having ethics advice available for individuals;
- To recognise, reward and monitor ethical conduct.

ISSAI 30 and the TFA&E's papers and guidance include a lot of information and examples of good practices that may be used by the HCA as a source of inspiration in this regard (see <http://www.eurosai-tfae.tcontas.pt>).

Finally, I would like to thank the President of the Hellenic Court of Audit, Ms Androniki Theotokatou, for the invitation and opportunity to discuss these important subjects with the members and staff of the HCA. I must also thank the participants in the workshops for their active and positive involvement in the lively discussions held and the colleagues who helped me in the preparation and delivery details of the workshops (in the person of Ms Anna Papapanagiotou and her collaborators) for their precious support, without which I could have never succeeded.



Date: 18 March 2019

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ANNEX: *Powerpoint* presentation used for the workshops

¹ We must stress that the 2016 ISSAI 30 version is deeply different from the previous one in many aspects and is now targeted to all those working for or on behalf of SAIs. This means that the ethical provisions of the HCA audit manual may need to be reviewed and may prove to be insufficient or outdated.