

# EUROSAI Seminar

*Methods and measuring tools to audit ethics*

(Ankara, 26-27 November 2015)

## **Methods to audit ethics: the results of the activities conducted by the TFA&E during 2012-2014**

*Lidija Pernar, Assistant Auditor General  
The State Audit Office of Croatia*



# Content

**I. TFA&E GOAL 2**

**II. ACTIVITIES AND THE MAIN OUTCOME OF GOAL 2**

**III. METHODS TO AUDIT ETHICS**

# I. TFA&E GOAL 2

- **GOAL 1**: promote ethics as a pillar of SAIs
  - **GOAL 2**: promote ethical conduct in public organisations through the SAIs' activities
- 
- most effective way → auditing

# Important questions:

- **Why to audit Ethics(?)**
- **Does SAI have a mandate to audit Ethics(?)**
- **Which ethics related issues SAI can audit(?)**
- **How to audit (methodology, standards, tools and criteria)?**
- **How to report(?)**
- **Are some good practices available(?)**



## II. ACTIVITIES AND THE MAIN OUTCOME OF the GOAL 2

### Activities of the TFA&E related to Goal 2:

- **Survey (launched in December 2012)**
- **Seminar in Luxembourg (Sept. 2013)**
- **Young Eurosaï Congress (Nov. 2013)**
- **Various types of contributions of the TFA&E's members**
- **Contributions of the several SAIs from other INTOSAI Regional Groups and of independent experts**
- **Short survey (July 2015)**

**Main result within the Goal 2: Paper on Auditing Ethics in Public Sector – A general overview of SAIs' Practices**

# **AUDITING ETHICS IN PUBLIC SECTOR**

*A general  
overview of  
SAI's practices*

# 1. WHY SHOULD SAIs AUDIT ETHICS?

## The audit of ethics conducted by SAI:

- a valuable instrument for measuring the ethical climate or adherence to the code of conduct of the organization
- add value and contribute to the improvement of management, controls and governance of the audited organization
- embody the view that ethics has real and practical implications in achieving goals, mission and vision of public sector organizations
- lead to help restoring trust and confidence in public organisations
- draw the attention of the Parliament and public to the ethics, ethical management and its practices in public sector, etc.

## 1.1. Ethical infrastructure

- **what does ethics mean in the public sector of each country?**
- **should or can SAIs carry out audits of certain issues related to ethics in the public sector?**

→ ethics in the public sector varies from country to country considering its level of development, tradition and culture, some ethical elements are common to all

→ definition of ethics in the public sector, description of ethical infrastructure, ethical values and principles



## 1.2. Unethical behaviour

- **variety of types of unethical behaviour within the public sector**
- important to define clear principles and establish a legal and institutional framework that will define high ethical standards and allow managing ethics.

## 1.3. SAIs' mandate to audit ethics or ethics related issues

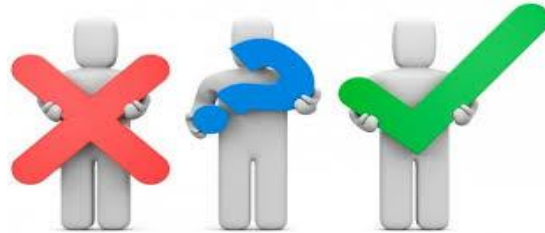
- **most SAI don't have specific mandate for auditing ethics and/or integrity; it arises from their general mandate**
  - **ethics related issues are mostly considered within financial audits (assessment of internal control), or as a part of compliance and performance audits**
- awareness of importance of the topic is clearly increasing (e.g. raising number of SAIs having a specific mandate)
- ethics is becoming a normal feature in auditing public organisations and in monitoring and evaluating public policies

## 2. WHICH ETHIC RELATED ISSUES CAN SAI AUDIT?

- **auditors rarely examined the entire ethical framework; in most cases, they focus on a specific number of issues**
- **in some SAIs: audits/studies are specifically addressed to assess ethics/integrity in public sector or its organisations**

→ defining the scope of the audit of ethics and to choose which components of the structure (ethics infrastructure) and which processes are viable to be audited – depends on the maturity level of management

## 2.1. Choice of topics



- a challenging task
- different approaches
- different examples

## **2.2. Good practice in auditing ethics and ethics related issues**

- **SAIs' experience and practice in auditing ethics vary**
- **attention payed to various aspects that could help developing further good practices in the future**



### **3. HOW TO AUDIT ETHICS ?**

- a challenging task (again 😊)!
- practice on which methodology, standards, and tools to use, approach to apply, and which criteria to set (and how) varies from one country to another

## **3.1. Methodology: criteria, standards and tools**

- **different practice**

## 3.2. Reporting

- a powerful tool
- experiences vary from one SAI to another

→ examples of recommendations related to ethics/ethics related issues and examples on how to present them and attract attention of Parliament and public

## 4. IMPACT AND RESULTS

- **numerous positive impacts and outcomes:**
  - improving the functioning of ethical infrastructure in government bodies,
  - ensuring consistent application of the rules and regulations related to ethics and ethical behaviour,
  - encouraging ethical behaviour and ethical decision-making,
  - strengthening existing mechanisms for monitoring of implementation of ethical principles and encourage the establishment of the missing processes and/or relevant control activities / increase the effectiveness of control systems in place
  - decreasing the number of irregularities within audit subjects,
  - stimulating relevant education on ethics
  - increasing awareness on importance of implementation/respect of ethical principles and values in public sector, etc.

# ANNEXES:

## 1. Results of the TFA&A survey

- Survey has been issued by the EUROSAI TFA&E in December 2012
- It covered questions related both to ethics within SAIs and to auditing ethics in public organisations
- 32 replies from EUROSAI members (64%) received and 65 documents collected
- main results about *Auditing Ethics* - included in the Paper

## 2. Articles

several SAIs and authors (specialists in the field of ethics) described their opinions and experiences in short articles



# CONCLUSION

**Information provided in the Paper (existing practice, good examples, tools, approaches, outcomes):**

- **to be of use and interest to all SAIs, particularly when considered in the context of preparing and launching audits related to ethics issues in public organisations**
- **to additionally motivate and encourage SAIs to audit ethics in public management and to facilitate the development of the ethical framework in their countries!**

## 3.1. Methodology: criteria, standards and tools

- different approaches
- some SAIs developed their own tools, in different forms:
  - specific audit manuals containing ethical issues (*e.g. Germany, UK, Poland, the Netherlands*),
  - specific audit programmes (*e.g. ECA, the Netherlands, Hungary, Croatia*),
  - specific methods, guidelines (*e.g. Italy, Austria, Germany, the Netherlands*), checklists (*e.g. Lithuania, Romania, Croatia, UK*) and questionnaires (*Croatia*),
  - other methodological tools (*e.g. Turkey, France, Hungary*)

→ practice vary a lot

→ a big majority of SAIs consider beneficial the general guidelines and sample check lists for auditing ethics in public sector to be developed

▶ Issuing common guidance to audit ethics/integrity → next step (objective)



**Thank you for attention!**

[www.eurosai-tfae.tcontas.pt](http://www.eurosai-tfae.tcontas.pt)

[lidija.pernar@revizija.hr](mailto:lidija.pernar@revizija.hr)

