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Discussion Forum No 1: Issues to cover in the TFA&...



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Discussion Forum No 1: Issues to cover in the TFA&E guidelines

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Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Helena Abreu Lopes - Thursday, 28 January 2016, 2:24 AM



One of the objectives of the seminar "*Methods and Measuring Tools to Audit Ethics*" is to identify the expectations of participants in what regards the possible structure and content of the TFA&E guidelines on how to audit ethics.

To start this discussion, we would like you to answer the following question:

Which are the main issues to cover and solve through common guidelines to audit ethics?

Use your auditor's experience.

If you were supposed to propose or conduct an audit in ethics related issues, which guidance would you need?

Please help us to identify the key issues to include.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Natasa Mihailova - Monday, 1 February 2016, 10:20 AM

Dear colleagues,

Inspired by Friday's presentation and our discussion one suggestion what to cover with the guidelines for audit ethics

Maybe is good the guidelines to follow the structure of the phases of an audit :

1.Introduction

- why to audit ethics/why is important to audit ethics (benefits that auditing ethic brings to public governance/organization and society)
- SAI mandate to audit ethics
- ISSAI's standards requirements related to ethics issues (12,30,100, 200,300,400....)

2.Planning an audit

- pre-planning arrangements (survey of legal requirements,regulatory framework of ethics or ethics related issues in an audit entity or in a group of institution,control mechanisam established ...)
- choise of topic (if ith will be auidt of an ethic...or some of the elements...integrity, conflict of interest, impartiality....)

3.Execution/Performing an audit

- Maybe here we can put as an example/examples programmes, checklist, or questionnaires (Croatia, ECA, Netherland etc..), and each countru mau customized to its own need and environment

4.Reporting

-findings/recommendation/added value or benefits

5.Follow up

- maybe in this part the possibility like in performance audit (to do follow up when the SAI's assess the need ..as a separate audit or maybe as a part in other compliance/performance audits)

Kind regards and see you,

Natasa (SAI Macedonia)

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Helena Abreu Lopes - Monday, 1 February 2016, 1:57 PM

One important issue that arose during the discussion on friday was the question of whether we should cover audit of compliance to ethical standards or limit the guidelines to the audit of systems to manage ethics/integrity. This is very important, due to the different several approaches that the SAIs can use. We do appreciate your views on the need or not of both approaches. We think that we may have to cover both.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Ina De Haan - Monday, 1 February 2016, 2:15 PM

I think that our manual should focus on auditing the ethics control system. Concerning individual breaches of ethics, be it in bad behaviour or financial misdemeanor or crime, is a different discipline. And as you say, depends on the task and remit of a SAI. In some cases the SAI, if it has a court model, has to audit for financial breaches, but I don't see that as auditing ethics, rather as a specific type of forensic audit. Breaches of ethical standards and unethical behaviour are subject to disciplinary law, and require investigation, but not audit.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Conceição Ventura - Monday, 1 February 2016, 7:30 PM

Dear Colleagues,

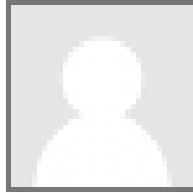
Remembering all the past works, documents and interests of the TFA&E and its members, and also the interests of EUROSAI members and other organisations, I really think we should go both ways, addressing not only the audit of an entire ethical control system, but also specific domains related to ethical behaviour, having they a legal framework or not. That is the case of conflicts of interests, gifts and hospitality policy, ethical leadership, and so on.

In my view, we should cover both dimensions in the guidelines, or, eventually, split the work in two: one guideline for auditing ethical control system, another for specific issues.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

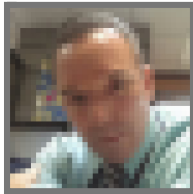
by Ina De Haan - Tuesday, 2 February 2016, 9:58 AM



I agree with giving specific guidance to auditing special issues, such as conflict of interest, tone at the top etc. I know the NAO has done some valuable work in this field. <https://www.nao.org.uk/report/conflicts-interest-2/>

However, I would really not advise to include investigative or forensic types of audit in the same manual.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Jorge Suarez Esquivel - Tuesday, 2 February 2016, 3:50 PM

What the team prepares should be general enough for every SAI to use it. What a SAI can do depends on its mandate. Some SAIs can audit internal control as well as conduct investigations, but they cannot punish those guilty of improper behaviour in the institutions they audit.

A useful resource for auditing ethics should at least include definitions and guidelines as to what should be understood as ethics, auditing it, the importance of doing so, the different scopes an ethics examination might consider, and the different factors that should be looked at when auditing ethics in an organization. It should also require to consider, during an audit of ethics, whether the institution under examination has policies in place as to what should be done when improper behaviour is identified, and whether the actions required have been undertaken in those cases. Also, it would be useful to provide SAIs with tools and references for carrying out the audits. In other words, both a framework and a set of tools are necessary.

As to whether forensic audit should be included, consideration should be given to the particularities of SAIs. Let me use the Costa Rican situation as an example to explain what I mean. In our case, we are required by law to separate internal control findings from findings related to criminal activities, and to prepare separate reports for each topic if we happen to detect both findings as a result of an audit. This is so because in the second case, the reputation of a person is at the stake, and it

should be protected until wrongdoing is proved by the competent authorities. On the other hand, when illegal actions are the main topic of our examination, we perform a different process, which we call investigation, not audit.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines


by Conceição Ventura - Tuesday, 2 February 2016, 1:23 PM

Picking Natasha's ideas, (see 1. Introduction in her post) I propose that in addition to the ISSAI's requirements, we could include the main references / "standards" applicable to Ethics in the public sector, displayed in relevant international documents, such as the ones from OECD and UN. As a matter of fact, they will have to inspire us to build some audit questions and audit criteria to include in the guidelines.

Please find attached some interesting documents (in my view, of course).

 [Baseline-study-institutional-integrity-management-2014.pdf](#)

 [integrity_oecd.pdf](#)

 [UN against corruption.pdf](#)

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Ioana Boboc - Tuesday, 2 February 2016, 1:07 PM

Dear colleagues,

Romania's representatives agree the idea to cover both approaches (in different sections of the guidelines), the audit of systems to manage ethics/integrity and the compliance to ethical standards, but as Ina said, we also think it is not good to include investigative or forensic types of

audit in the same manual. In addition to the special issues that could be covered by the guidelines, we think that *ethics in public procurement* it's also a very important subject of audit.

Regarding the structure of guidelines proposed by Natasa, we have two ideas.

First, it's appropriate to add in the introduction section, *concepts and definitions*, and second, to include in the execution phase of the audit, *the internal audit involvement in auditing ethics* as one of the methods to obtain audit evidence.

Best regards,

Ioana and Corneliu

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by José R Sousa Filho - Tuesday, 2 February 2016, 5:33 PM

I think this discussion has a parallel to what happens with the INTOSAI guidelines of performance audit and compliance audit.

Let's take the case of performance audit (ISSAI 3000), which "deals with a multitude of topics and perspectives", focusing on the aspects of economy, efficiency and effectiveness of activities, programs and public organizations. Says that guideline:

"While financial auditing tends to apply relatively fixed standards, auditing performance is more flexible in its choice of subjects, audit objects, methods, and opinions. (...) The special feature of performance auditing is due to the variety and complexity of questions relating to its work. Within its statutory mandate, performance auditing must be free to examine all government activities from different perspectives (AS 4.0.4, 4.0.21-23 and 2.2.16). "

In other words, it seems that with the performance audit, generally, does not matter much which object is audited, but what counts are the aspects that we sought to evaluate: economy, efficiency and effectiveness of a wide variety of objects.

In the case of compliance audit, let's see what the ISSAI 4000

says:

"2. (...) However, in general, the objective of compliance auditing is to enable the SAI to report to the appropriate bodies on the audited entity's compliance with a particular set of criteria. Such criteria may be derived from relevant financial reporting frameworks, laws, regulations, parliamentary Decisions, terms of contracts or agreements, or may be other criteria deemed by the auditor to be suitable criteria. "

Therefore, the focus of a compliance audit is the comparison of the activity / behavior of the entity with a set of criteria (I confess I do not like this definition because every audit in one way or another is always a comparison between the situation existing and previously defined criteria).

Interestingly, in guideline ISSAI 4200 (Compliance Audit Related to the Audit of Financial Statements) as well as in ISSAI 4100 (For Audits Performed Separately from the Audit of Financial Statements), we find the following example (Annex I):

	Subject matter	Subject matter information	Criteria
10	Behaviour / Propriety	A statement of compliance, for example a statement of independence (legal competence). In the public sector this 'statement' may sometimes be implicit and related to the concepts of probity and propriety.	Relevant legislation or directives covering behavior of public sector officials. A code of ethics or internally developed code of conduct. Stated values or leadership principles Internal policies, manuals and guidelines. The terms of reference of the organisation, the bylaws or similar. The terms of a contract (e.g. agreed confidentiality or quarantine arrangements subsequent to certain employment situations).

Therefore, the organization's adherence to its code of ethics or conduct could well be considered an objective of compliance audit, according to the definition we saw above, so I see no reason why this issue shouldn't be included in a guideline for auditing ethics, unless, for a convenience option, the guideline is restricted to deal, e.g., with ethics management system.

I even think that there is good reason to argue that certain terms shouldn't be included in the same guideline of auditing ethics. For example, I notice that for certain objects related to ethics may be more appropriate to employ a performance audit approach, while for other objects is better to use a compliance audit approach, so that we could have a guideline focused for each approach. Everything will depend on how the issues will be addressed in the guideline.

On the other hand, I agree with what Ina said about putting aside forensic audit. Ok. I think ethics audit should not have as a purpose to identify the various types of fraud and misconduct that may occur. However, I think that breaches of the code of ethics don't fit into forensic audit, but may be subject to a compliance audit, as we saw above, so that may well be the subject of an audit of ethics.

To illustrate, I draw attention to the Coso framework (Internal Control), which puts on different principles these issues: Principle 1 ("the organization demonstrates a commitment to integrity and ethical values") requires the evaluation of adherence to standards of conduct as a focal point, while Principle 8 ("the organization considers the potential for fraud in Assessing risks to the achievement of objectives") considers the risk to occur various types of fraud.

Therefore, even if the SAI has competence to perform investigation or forensic audit, I think this sort of work shouldn't be regarded as ethics audit because the objectives and criteria are different.

Best Regards,

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Miguel Angel VazSerra Melendez - Tuesday, 2 February 2016, 6:14 PM

We agree with Conceição's point of view, the guidelines should cover both approaches , including not only the audit of ethical control system but also an approach of standard compliance. But first of all, in line with what other colleagues have said, the guideline should also define What's ethic and determine what's the scope of auditing ethics, establishing clear objectives and practical goals. This should be included in the part of the guideline related to general aspects. Then we can include several sections (depending on the type of audit) that should contain how to audit the different ethic issues according to the objectives and goals of each section.

Thanks for all your clear and useful contributions.

Miguel Ángel

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Elzbieta Matuszewska - Wednesday, 3 February 2016, 8:36 AM

Dear colleagues,

It seems to me that approach resulting from what Conceição and Ina wrote, with the guideline covering both ethics management system and compliance aspects. In the case of NIK our mandate would not be sufficient to carry our forensic audits.

Maybe we could also consider adding somewhere in the introductory part some sort of identifying criteria for various types of ethic related audits. We came across the problem what should be actually understood as „audits in the area of ethics” while compiling the list of our audits for the survey. Depending on the approach our list could have been either shorter or longer. For example we did not carry out

a single audit focussing exclusively on ethics, but we had many audits touching upon various aspects related to ethics. In general such types could cover comprehensive audits of ethical infrastructure, audits of particular elements of this infrastructure but also audits of areas where ethical considerations are important. A big question would be how to identify such areas, there may be many depending on approach, eg. public procurement, equal treatment (eg. women, disabled, immigrants), processing sensitive personal data, audits of areas with high level of corruption risk, fair treatment of animals, maybe also related to sustainable development – as moral obligation of the contemporary societies towards future generations. As the scope could become very wide, maybe at the first stage we could focus on audit guidelines for ethical infrastructures as a whole. Maybe later on elements of that can be used as building blocks for other types of audits.

Another important thing for the guidelines could be to bring specific audit methods that can be effectively used for this area, that will really bring us to the heart of the matter. Maybe we could also consider adding some more general principles for such audits. I liked very much the approach presented by UK NAO in Rome – they carried out the same ethical audit as in public administration in their own institution.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by José R Sousa Filho - Wednesday, 3 February 2016, 12:25 PM

It is becoming clear to me that the ethics guideline could handle two types of objects related to ethics:

- (a) ethics management system, or the ethics infrastructure;
- (b) ethical aspects of specific cases.

The ethics management system would constitute the core of the ethics guideline, that is, the guide would be structured mainly to carry out performance audit in that system or on ethics infrastructure, such as the OECD calls this system.

On the other hand, any conduct, policy or program can lead to ethical or moral concerns in the same way we can examine the legality of a behavior, or the effectiveness of a policy, or the efficiency of a program, or the legal and economic conditions of a public procurement.

In general, everything the government does or fails to do could be looked at from an ethical viewpoint. Any behavior of public officials can be checked on its adherence to the organization's code of ethics. I guess this makes it difficult to choose the topics that should be addressed in the ethics guideline.

However, we can try to restrict this infinite variety of objects, noting that some behaviors, situations and areas bring with them a much higher ethical concern. In other words, there are situations where the risk of unethical behavior appears higher, and such situations could be taken as selected cases in ethics guideline.

Best regards,

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Anita Materljan - Wednesday, 3 February 2016, 1:51 PM

Dear Colleagues,

Taking into account all comments from discussion forum received so far, and experiences and ideas collected through questionnaires and seminars, we suggest the following framework (draft) content of the guidelines:

INTRODUCTION (*why and how TFAE came up with the idea to develop these guidelines who are possible users, and what is a purpose of the guidelines*)

WHAT MAKES THE ETHICS IN THE PUBLIC SECTOR (*to include all relevant definitions, description of types of unethical behavior, relevant standards and values – Conceicao*)

WHY IS IT NECESSARY TO CONDUCT AUDIT OF QUESTIONS

RELATED TO ETHICS IN THE PUBLIC SECTOR

TYPES OF AUDIT OF QUESTIONS RELATED TO ETHICS IN THE PUBLIC SECTOR (*including description of phases of audit – Natasha*)

HOW TO DETERMINE SCOPE AND SUBJECTS OF ETHICS IN PERFORMANCE AUDIT

HOW TO DETERMINE THE OBJECT AND PURPOSE IN COMPLIANCE AUDIT (*Ina*)

AUDIT QUESTIONS WITH REGARD TO ETHICS WITHIN THE FINANCIAL AUDIT

PREPARATION OF THE AUDIT STUDY (*incl. resolution/decision on audit i.e. which conditions must be met in order to decide on the conduct of the audit*)

DESIGNING PLAN AND PROGRAMME OF THE AUDIT (*taking into account internal audit involvement in auditing ethics – Ioana*)

THE COLLECTION OF EVIDENCE, VERIFICATION AND VALIDATION OF EVIDENCE AND REACHING CONCLUSIONS

METHODS AND METHODOLOGICAL TOOLS FOR AUDITING ETHICS (*Jose*)

CREATING REPORT

REPORTING

FOLLOW-UP

POSSIBLE EFFECTS AND BENEFITS OF AUDITING ETHICS/INTEGRITY IN THE PUBLIC SECTOR

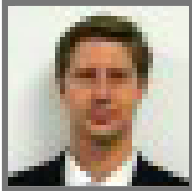
In this way we think that all areas are covered, and that such an thorough approach can help SAIs to start considering, planning and conduct audits of ethics and ethics related areas.

Your comments, suggestions, redrafting etc of this proposal is also possible.

And at the end, just a slight clarification for Ina, because it seems that she is worried about possibility of confusion with a forensic approach; there is no such a risk, because (according to previous conclusions and products of this Group), the goal of auditing ethics is not to evaluate and/or sanction unethical behavior. The goal is rather to explore and determine whether relevant ethical

infrastructure has been set, whether it is implemented as well as whether auditees act in accordance with set rules in order to manage risks of unethical behavior. I hope this explanation helps.

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Mark Burfod - Thursday, 4 February 2016, 12:21 PM

All

I thought I would quickly say hello as I have taken on Lewis Knights' responsibilities in the area of ethics for the UK NAO. I love the discussions and I am currently trying to catch up with the great content of this site.

I won't be able to attend the next seminar (5th) owing to a prior work commitment however I do look forward to watching it offline and participating in future events.

Best wishes

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Helena Abreu Lopes - Thursday, 4 February 2016, 1:26 PM

Here is a message from our Czech colleague, sent by e-mail:

"Dear colleagues,

I would like to suggest adding two issues into the framework. The first is the question of mandate of our SAIs to conduct audits of ethics and the second one is Internal control system. We talked about it in Ankara in November (please see the copy of my email

conversation with Mr. Yasar Uzun about Draft Minutes below) and I think it's worth considering..

„Dear Yasar,

thank you for sending me the documents. I have no comments or opinions on draft minutes, I think you described it well. I would just like to highlight one item of our discussion which I strongly believe will be essential when auditing ethics - internal control system. I think Mr. Tzvetkov pointed it out several times during his presentation „The importance of auditing ethics for a SAI“ (esp. in relation to slide 7) and we also mentioned it when discussing other topics. I particularly think that effective performance audit of ethics will be hugely dependant on existence of internal system and the state of it. Therefore, I would suggest more attention to be paid to this in our outcomes especially implementation of Public Internal Financial Control (PIFC) in our countries as recommended by European Commission. I know that draft minutes is not the document suitable for analysing this in detail but I am going to point out this matter again when more fitting document comes up.“.

Best regards,

Michal Pleticha
Counsel to the President"

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Helena Abreu Lopes - Thursday, 4 February 2016, 4:08 PM

Our colleague Natalija Catovic, from the SAI of Serbia, sent this opinion by e-mail:

*"Dear colleagues,
Internacional guidelines are very good practices for audit of ethics and should be an example how to perform the audit ethics.
One should bear in mind that the guidelines for ethical auditors should be focused on the question of ethical infrastructure to carry out the audit ethics.
Which tools auditor should use to have best effects of this type of audit.
Natalija"*


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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Conceição Ventura - Thursday, 4 February 2016, 4:26 PM

Our colleague Fabrice has a technical problem and cannot post in this forum. So, please take note of the slide he asked me to include, with some interesting possible audit questions. The slide is based on the OECD checklist to audit ethics in a public organisation.

 Auditing ethics.pptx

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Re: Discussion Forum No 1: Issues To Cover In The TFA&E Guidelines

by Gillian Scerri - Friday, 5 February 2016, 2:14 PM

Dear colleagues,

We agree with the proposed structure of the guidelines as outlined by Natasa.

In our opinion, the guidelines should include separate methodologies and tools to audit both compliance to ethical standards and the audit of systems to manage ethics/integrity.

It would be useful if the guidelines included a model of procedures that should be adopted by an organisation when managing and monitoring ethical/integrity issues.

Best regards,
Maressa and Gillian

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