Auditing for Integrity

Helena Abreu Lopes, EUROSAI TFAE, 2018
Promote the relevance of ethical conduct in:

- Supreme Audit Institutions
- Public Organisations
Activities 2012-2018

- Surveys
- Meetings, seminars & workshops
- Papers and articles
- Review of ISSAI 30
- Guidance
- Assistance
- Cooperation
- www.eurosai-tfae.tcontas.pt
• SAI are not completely aware of the possibilities they can explore in auditing ethics related issues

• **Initiatives and practices to audit ethics in SAI are very asymmetric**

• SAI expressed interest that the TFA&E develops common methods and tools to audit integrity
## Working Plan 2014-2017

<table>
<thead>
<tr>
<th>Goal</th>
<th>Objectives</th>
<th>Activities/Projects</th>
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<tr>
<td>2. Promote ethical conduct in public organisations through the SAIs’ audit activities</td>
<td>2.1. Issue common guidelines to audit ethics/integrity</td>
<td>Map and study existing instruments</td>
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<td>Organise seminar about methodologies to audit ethics</td>
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<td>Draft common guidance</td>
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<td>Disseminate and test guidance</td>
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<td>Liaise with other working groups to include an ethical approach in the audit of public procurement</td>
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Problems:

- Mandate of SAIs
- Ethical vs Illegal
- Different terminology and different concepts on acceptable conducts and desirable controls
- No clear criteria
- Measurable indicators
- Tools to measure
Important questions:

• Why to audit ethics/integrity?
• Do SAIs have mandate to audit ethics?
• Which ethics related issues can SAIs audit?
• How to audit (methodology, standards, criteria and tools)?
• How to report?
Guideline “Audit of ethics in public sector organisations”
May 2017

- **Why** to audit ethics: mandate of SAIs
- **What** to audit: concepts, several possible approaches
- **How** to audit: objectives, audit questions, criteria, methods, measurement, reporting, dos and don’ts
- Links and examples
Auditing Ethics

WHY
• SAIs are now guardians of good governance and not only guardians of correct accounts

• UN World Public Sector Report/UN Committee of Experts on Public Administration/ OECD Public Governance Committee

• ISSAIs
Auditing Ethics

WHAT
SAIs:

• Assess internal controls and whether management created an environment where fraud can be prevented and detected

• Audit compliance with laws, regulations or other authorities (great degree of international diversity in organising and reporting on compliance audit)

• Audit how interventions, programmes and/or institutions are performing and if is there room for improvement

• May conduct combined audits incorporating financial, compliance and/or performance aspects
Different and possible several approaches:

- Raising awareness activities
- Audit ethics as part of the internal control system
- Encourage and promote audits of ethics to be conducted by the organisations themselves or by internal audit
- Audits targeted at the assessment of the ethics control system/ethics infrastructure of public administration or of a certain sector or public body
- Integrity modules in compliance audits
- Audits over specific ethics related subjects (conflicts of interests, revolving doors, whistleblowing, etc)
- Audits to prevent fraud and corruption
- Forensic audits
Holistic approach

The audit of ethics:

- Should go beyond compliance
- Needs to measure cultural dimensions and impacts
- Benefits from participatory evaluation approaches, involving stakeholders
- The SAI as a model
Auditing Ethics

HOW
• **Designing an audit of ethics**
  - holistic approach
  - selection of topics
  - audit objectives
  - audit scope
  - audit questions
  - audit framework
  - audit criteria
  - methods to collect data
  - methods to analyse and evaluate data

• **Reporting and communication**
Auditing Ethics

DO’S AND DON’T’S
Do’s and don’ts in the audit of ethics

- Understand and define very well the scope, goal and objectives of the audit of ethics
  - Design the audit to go beyond rules, compliance and processes
  - Go beneath the surface
  - Put the focus on achieving improvement: avoid worrying about identifying cases
  - Mind the neutrality of the SAI
  - Understand specificities
  - Look for additional controls
Do’s and don’ts in the audit of ethics

➢ Be attentive to adequate and effective communication with the auditee
  ➢ Explain and explain
  ➢ No surprise approach
  ➢ Keep communication lines open during the audit
  ➢ Share findings and recommendations beforehand
Do’s and don’ts in the audit of ethics

- Use the adequate methods and tools to reach the audit objectives
  - Do not use unclear or unrecognised criteria
  - Ensure consistency
  - Use subjective data to focus the audit but take care of validation
  - Never violate a promise of confidentiality
  - Use benchmarking and maturity models
Do’s and don’ts in the audit of ethics

- Facilitate positive impacts
  - Identify and enhance good practice
  - Keep a constructive language
  - Avoid unnecessary damage to reputation of institutions
  - Prefer transversal audit approaches
  - Use several communication tools to maximize impact
  - Follow the outcomes
Thank you for your attention

Your questions are welcome