

ETHICS MATTERS

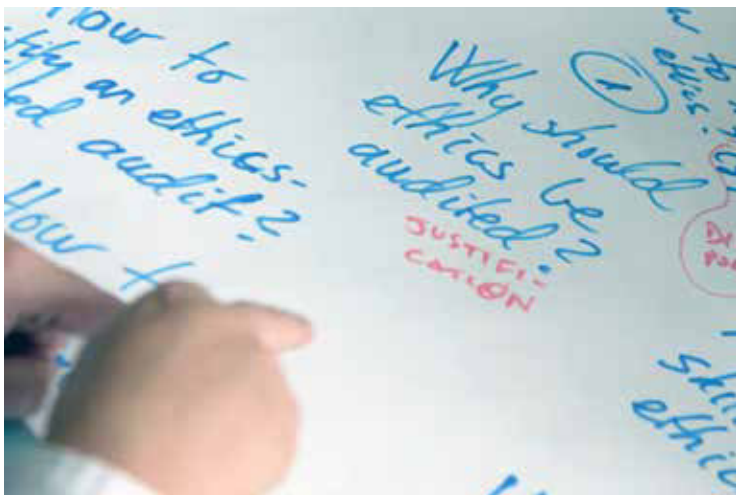
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One of the great advantages of EUROSAI is that it facilitates cooperation between Supreme Audit Institutions (SAIs), as well as knowledge-sharing and the exchange of practices and experience. This is the main objective of the many working groups and task forces that have been set up in such a wide range of fields. Particular attention has been paid to novel audit areas for which there were previously no specific standards or consolidated practices. EUROSAI's work has made it possible to increase the audit capacity of SAIs in fields such as the environment, IT, tax administration and aid following catastrophes and disasters. This has enabled SAIs to evolve more quickly and use techniques and methods successfully tried and tested by other institutions, consequently saving time and economising resources.

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The task force was also mandated to address the issue of ethics within the SAIs themselves. This more unusual assignment cannot be accomplished by sharing audit techniques and methodology, or by submitting reports and working documents. It compels the members of the task force to examine the organisation and handling of ethics and consider issues such as conflicts of interest, auditors' external activities and financial interests, institutional transparency and access to information.

These topics are obviously fundamental for any public body, and they are even more so in the case of audit bodies, as they are key to institutional independence and credibility. An SAI that failed to address ethical matters appropriately would lack the necessary independence, be susceptible to integrity issues and have zero public credibility. It would therefore be pointless, superfluous to requirements and probably damaging to the public interest.

It is no easy matter to address ethics as a large group, in a language foreign to the majority of participants, who come from differing legal traditions and cultures. The task force must be careful to avoid certain pitfalls.

¹ The task force comprises the SAIs of Portugal (chair), Albania, Croatia, Cyprus, the Czech Republic, the former Yugoslav Republic of Macedonia, France, Hungary, Iceland, Israel, Italy, Montenegro, Malta, Poland, the Netherlands, Romania, the Russian Federation, Serbia, Slovenia, Spain, Turkey and the European Court of Auditors.



The first such risk is the danger of trivialising ethics and treating it as a fad, as was perhaps the case for activity-and objective-based or zero-based budgeting, and as is currently the case for knowledge management or performance management. Without seeking to appraise the usefulness of these instruments at the time, and even now, and their undeniable contribution to improving public administration, what is clear is that to a certain extent they have been overtaken by events. Is ethics a similar fad, as it may appear given the use of the term in such diverse contexts as “ethical banking”, “corporate ethics”, “bioethics”, “sports ethics” and “ethical consumption”? I do not believe it to be a fad. I believe that this “ethical inflation”, to use the phrase coined by the Spanish philosopher Fernando Savater in an article published in *El País* in May 2013, expresses a legitimate concern, a fundamental need for an instrument to transform institutions and promote personal excellence amongst all citizens, starting with those in public service. The urgency is even greater in this time of crisis.

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To avoid the risk of trivialisation, the task force has addressed ethics in the context of public sector audit, locating it at the heart of what SAIs are and do. Ethics has had, and continues to have, a direct impact on audit, which is why international standards and codes of ethics have been mandatory for audit professionals for many years. The task force was therefore conscious of the necessity and importance of updating the INTOSAI code of ethics², and some of its members are working on that very project, which is being led by the Polish SAI.

The second risk, which is possibly more difficult to avoid, concerns the establishment of a clear boundary between legality and ethics. Without

² International Standards of Supreme Audit Institutions, No 30: Code of Ethics

this distinction, the scope and usefulness of ethics are reduced, thus preventing us from resolving many of the dilemmas with which we are confronted on a daily basis and which require us to consider moral issues and uphold certain values. In the case of legality, or rules, strict compliance would suffice, with the desired conduct equating precisely to that laid down by the legislator (there is no potential dilemma, no room for a personal decision based on morals or values). But what we need is an instrument with which to transform institutions and improve their governance.

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The task force has discussed this issue many times. Taking inspiration from the German theorist Hannah Arendt, we could draw a conclusion based on the following sequence of “equations”:

{	Legal	= what is allowed or governed by law
	Ethical	= what should or should not be done even if permitted by law
	Good governance	= Legal + Ethical

There is no easy solution to this equation. Often when we discuss specific issues of relevance to an SAI, such as conflicts of interest or recruitment, we tend to confuse the terms of the equation and categorise as “legal” what should be classed as “ethical” (in relation to auditor conduct, or their way of acting and being). Auditors may act within the law but still be open to reproach from an ethical viewpoint. They might also be faced with an ethical dilemma to which there is more than one possible legal solution. Balancing the equation while maximising good governance must be

one of the objectives of an SAI’s management team and every member of staff.

The third risk for the task force, and one which it shares with any joint working group, is that of digressing and entering into discussions which may well be interesting but are outside the group’s remit. The composition of the task force is extremely varied, involving SAIs from diverse administrative and political cultures with different legal frameworks. Equally, separate SAIs have very different experience of and structures for dealing with ethical issues. Some SAIs are “veterans” in the field, with effective instruments in place to address potential conflicts of interest concerning auditors. Such bodies may have long-established ethics committees and have trained their auditors to tackle ethical dilemmas. Other SAIs are just beginning to address these issues and are keen to make swift progress.

Obviously it is not possible to address each and every concern, and the task force has had to choose only the most urgent issues with the highest added value. It has focused on improving the ethical “infrastructure” (codes, guidelines, committees), training and awareness-raising among auditors, and behavioural monitoring and control with regard to ethics. The best practices in these areas have been identified and shared, self-assessments have been carried out, and numerous working documents have been published. The risk of digression has thus been avoided by focusing on a small number of priorities that will help SAIs to use ethics as a tool for good governance.

The task force intends to continue its work over the coming years, helping EUROSAI member institutions to make ethics a pillar of improved public sector audit. SAIs must act ethically and with the utmost integrity. They must lead by example and be accountable and transparent. Not doing so would mean losing credibility and public trust, at a high price that we cannot be prepared to pay.

I believe that EUROSAI is right to place ethics at the very core of its activities. Ethics matters.