REVISION OF ISSAI 30

The SAI of Poland
The SAI of Portugal

1. Why does INTOSAI need a Code of Ethics?

Ethical behaviour is a key component in establishing the needed trust and reputation that a Supreme Audit Institution (SAI) must inspire in its stakeholders. A code of ethics is a crucial element to provide organisations and individuals working for them with a set of values and principles on which to base behaviour.

The specific environment and objectives of public sector auditing are often different from those of a private sector audit organisation. SAIs have a legal/statutory mandate, they work mainly for parliaments and citizens rather than for clients, they work close to executive and legislative political bodies, their role is to report publicly on their findings and they are part of a transparent public governance system. Thus, specific ethical risks arise, such as political pressure, nepotism, misuse of power, or dilemmas between confidentiality and disclosure, and safeguards to these threats need to consider that neither individuals nor SAIs can refuse or withdraw from audit tasks.

In this context, INTOSAI decided to have its own Code of Ethics. This Code, later included in the ISSAI framework as ISSAI 30, was adopted by the XVI INTOSAI Congress in Montevideo in 1998.

2. Revision of ISSAI 30

In 2013, in accordance with the ISSAI maintenance schedule, the Steering Committee of the INTOSAI Professional Standards Committee (PSC) decided to conduct an assessment of whether the extant ISSAI 30 needed to be revised, in order to ensure its relevance in the current public sector auditing environment. For this purpose, the ISSAI 30
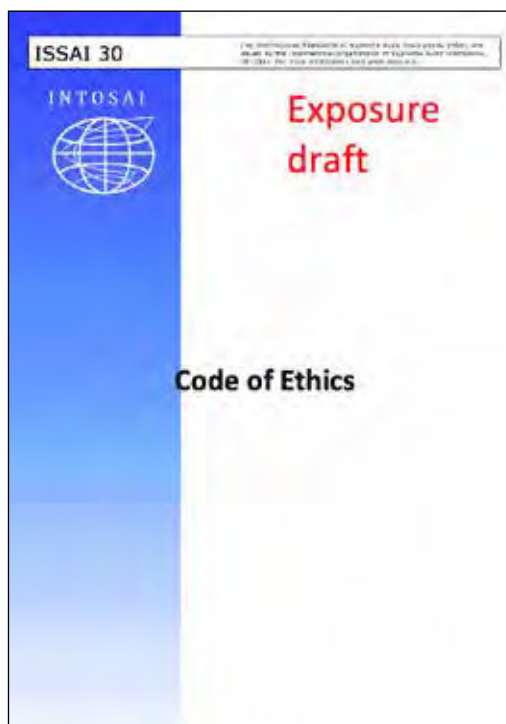
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Review Team was established, composed of the SAIs of Indonesia, Poland (project leader), Portugal, the United Kingdom and the United States.

To determine whether the Code of Ethics needed a revision, input was sought from the whole INTOSAI community, through an online survey distributed in February 2014. According to the respondents, ISSAI 30 needed a revision that should focus on, among others, shifting from the perspective of an individual auditor to the SAI perspective, with due consideration to stakeholders; emphasising the importance of ethical culture; reviewing fundamental principles and core values; considering monitoring compliance with ethical requirements, and including ethics

To deal with the actual revision of ISSAI 30, and to provide for a broader regional representation, the team was enlarged to include also representatives from the SAIs of Albania, Chile, Hungary, Kuwait, Mexico, Namibia, the Netherlands, New Zealand and South Africa. The International Ethics Standards Board for Accountants (IESBA) has also participated as observer

management and control; and improving clarity of the document. The survey also indicated the need for additional guidance and examples.

Based on these results, a project proposal was then submitted and approved by the PSC Steering Committee in May 2014.

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3. Contribution of the EUROSAI Task Force on Audit & Ethics

While recommending the need to revise ISSAI 30, the Review Team also drew on the achievements of the EUROSAI Task Force on Audit & Ethics (TFA&E).

The TFA&E has implemented several initiatives to raise awareness and reflect on SAIs' ethical management. It has identified good practices, guidelines and discussion items about how to implement and encourage ethical behaviour

The Task Force was established in 2011, under the leadership of the SAI of Portugal, to promote ethics both in SAIs and in public organisations. One of its goals (promoting ethics as a pillar of SAIs) closely relates with the implementation of ISSAI 30.

The TFA&E has implemented several initiatives to raise awareness and reflect on SAIs' ethical management. It has identified good practices, guidelines and discussion items about how to implement and encourage ethical behaviour. Discussions about ISSAI 30 and its implementation by SAIs were held at a seminar organised by the TFA&E in 2014 in Lisbon. Considering that the process to review ISSAI 30 had been initiated, the TFA&E prepared a document summing up those discussions and sent it to the ISSAI 30 Review Team. This document was ultimately annexed to the project proposal on the ISSAI 30 revision.

The Chair as well as some other members of the TFA&E (SAIs of Albania, Hungary, Poland and the Netherlands) have been actively participating in the ISSAI 30 Review Team, conveying the importance of institutional policies and leadership initiatives to foster an ethical environment and promote ethical behaviour. They have also provided the Team with information on the identified good practices of SAIs, to be considered as guidance in the revised ISSAI 30.

4. Main changes introduced in the draft revised ISSAI 30

A. One of the main changes in comparison with the present version of ISSAI 30 is the new wording of the fundamental values that underpin ethical behaviour. These values, along with a summarised explanation of each value, follow:

- **Integrity** – to act honestly, reliably, in good faith and in the public interest,

- **Independence and objectivity** – to act in an impartial and unbiased manner,

- **Competence** – to maintain knowledge and skills appropriate for the role, and to act consistently with applicable standards,

- **Professional behaviour** – to comply with applicable laws, regulations and conventions, and to avoid any activities that may discredit the SAI,

- **Confidentiality** – to appropriately protect information.

B. The second fundamental change is that ISSAI 30 is now intended to be applicable to SAIs and all their staff. This includes the Head of the SAI, its members in the case of collegial models, any management positions and all individuals directly employed by, or contracted to conduct business on behalf of, a SAI. All these individuals should consider the stated values in their professional activity and, as adequate, in their private life.

C. The revised ISSAI 30 follows a new structure, including a *Preamble*, a section with an *Overall approach to ethical behaviour*, a section dedicated to *Overall responsibilities of SAIs* and five sections to explore each *fundamental value* individually.

The proposal clearly differentiates requirements and guidance. All requirements should be complied with, either by SAIs or their staff. This is intended to clarify the initiatives, controls and behaviours that are prerequisites to ensure trust and credibility.

Separately, application guidance is provided to assist both SAIs and staff in meeting the requirements, as had been requested by respondents to the survey.

The requirements and application guidance can be clearly differentiated in the revised ISSAI 30 through the visual presentation and through the language used.

D. Following the survey and the TFA&E suggestions, a section dedicated to the *Overall responsibilities of SAIs* comes as a novelty in

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the revised ISSAI. The rationale behind is that ethical behaviour of individuals depends not only on their will, but also on the environment they work in. So, notwithstanding the individual commitment of staff to act according to ethical values and principles, the SAI has a specific responsibility to foster and protect ethics in every aspect of the organisation and its activities. Among other responsibilities, SAIs are expected to lead by example, control vulnerabilities and put in place a coherent set of ethics strategies, policies and measures. Through this section a benchmark is drafted for SAIs to follow and improve further.

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5. Present Status and Due Process

In October 2015, the Steering Committee of the Professional Standards Committee approved of the exposure draft of the revised ISSAI 30. The exposure draft has been placed on the ISSAI website (**www.issai.org**) and is open for commenting until 1 February 2016. All INTOSAI Members are invited to send comments on the document to **ISSAI30.Review@nik.gov.pl**.

After going through the *Due Process for INTOSAI Professional Standards*, and amended as needed following comments, the revised ISSAI 30 will be submitted for approval to the INTOSAI Congress in December 2016.

Any questions related to the project can be addressed at: **ISSAI30.Review@nik.gov.pl**