THE ACTIVITIES OF THE EUROSAI TASK FORCE ON AUDIT & ETHICS

EUR☉SAI
Task Force on Audit & Ethics

The SAI of Portugal
Chair of the Task Force on Audit & Ethics (TFA&E)

Following the final conclusions and recommendations of the VIII EUROSAI Congress that was held in Lisbon in June 2011, the Governing Board agreed to set up a Task Force to deal with *Audit & Ethics* (TFA&E).

At present, the following European SAIs are involved in the Task Force: Portugal (chair), Albania, Croatia, Cyprus, European Court of Auditors, Former Yugoslavia Republic of Macedonia, France, Hungary, Iceland, Italy, Malta, The Netherlands, Romania, Serbia, Slovenia and Spain. The TFA&E is open to all EUROSAI members and other SAI have already expressed their interest in joining.

The main goals of the TFA&E, approved in its first meeting of 2012, are the following:

- Contribute to raise public confidence in SAIs by supporting the implementation of ISSAI 30 (Code of Ethics).

- Promote ethical conduct in public organisations through the SAI's activities.

A 2012-2014 Working Plan was also approved including a set of objectives and activities, their implementation schedule and expected results for each of the two goals.

The Task Force has already developed some of the planned activities, namely the setup of a website (http://www.eurosai-tfae.tcontas.pt), a survey to all EUROSAI members, a paper on the results of the survey and a seminar.

The survey was conducted in order to identify both SAI's ethical framework and practices (regulations, codes, guidance, policies, training and concrete examples of ethics related situations and how to deal with them) as well as audit practices and results concerning the audit of ethics related issues.

The survey's results were presented at the second meeting of the Task Force, which was held in Dubrovnik, on 4-5 April 2013, and at the 2013 EUROSAI Governing Board meeting. The survey and a report on its detailed results can be found in the Task Force website [1].

As regards its **Goal 1** (contribute to raise public confidence in SAIs by supporting the implementation of ISSAI 30), the most relevant results of the survey were the following:

- Within EUROSAI Members, Codes of Conduct are a well spread means of disseminating SAIs values and principles, along with expected behaviours and provisions for misconduct. In half of the European SAIs that informed having a Code of Conduct, that Code includes practical dilemmas and ways to solve them.

- By building knowledge about ethics, SAIs should be more able to ascertain their integrity and to prevent unethical conduct. This could contribute to increasing

[1]   See http://www.eurosai-tfae.tcontas.pt/activities/Activities/Survey/Results%20of%20the%20Survey-TFAE.pdf

trust in SAIs. Besides codes of conduct, common ways to raise awareness on ethical values and issues are training sessions or lectures for employees, the use of Intranet and, sometimes, special units to advice on ethical issues.

• Some SAIs regularly work together and exchange information with non-SAI organisations to raise awareness on ethics in the public sector.

• Conflicts of interests (interacting with the independence, objectivity and impartiality of the institution) seem to be the main concern of European SAIs. Many of them put in place policies, routines and procedures to avoid the occurrence of wrongdoing related to this issue.

• SAIs' human resources management tools usually include ethical concerns, especially in recruitment, performance appraisal and training.

• Written rotation policies are adopted by 41% of the replying SAIs.

• Few SAIs use internal and/or external specific evaluations of their ethical systems. Into-SAINT is one of the tools that can be used for self-evaluations, but only five SAIs report experience with it.

• When considering the ethical infrastructure recommended by OECD, it becomes clear from the answers to the survey that guidance and management functions are, at the moment, much more developed in European SAIs than control function.

Building on these results, the Task Force issued a paper called "*Supporting SAI to enhance their ethical infrastructure – a general overview of SAI's ethical strategies and practices*". This paper identifies why ethics 'management is important for SAI, recalls ISSAI ethical requirements, describes the main elements of a well-functioning ethics infrastructure and reflects on the main results of the survey, comparing them with those requirements, while simultaneously providing a number of examples of policies, practices and tools that SAI can adopt to fulfil their ethical management obligations.

The paper is available in the Task Force website **[2]** and printed copies can be asked to *Tribunal de Contas* (Portugal).

[2]   See http://www.eurosai-tfae.tcontas.pt/activities/Activities/Ethics%20within%20SAIs%20-1st%20paper/TFAE_Ethics%20within%20SAIs%201st%20paper.pdf

This paper was prepared as the first of several. In the forthcoming papers, the TFA&E will delve deeper into the identified examples, sharing with the European SAI community further details on the practices that can be used to implement ISSAI 30 and other ISSAI ethical requirements, thereby contributing towards the enhancement of SAI ethical infrastructures and the raising of public confidence in SAI.

A seminar will be organised on the same subject, mainly targeted at raising awareness on the ethics management importance and at sharing information and experiences, identifying good practices and discussing views on ethical issues. This seminar will be held on 29-30 January 2014, at Lisbon, and colleagues are encouraged to participate.

Under **Goal 1**, the Task Force is also preparing a model for training on ethical issues, which SAI will be able to use. Opinions and contributions to this model will be asked from the seminar participants as well as from the delegates to the EUROSAI YES Congress, through interactive workshops prepared for that purpose.

Concerning **Goal 2** (promote ethical conduct in public organisations through the SAI's activities), the replies to the survey allowed the following main observations:

• In the countries of the SAI that replied to the survey, there are usually several institutions assessing ethics related issues other than SAIs corresponding to a large variety of bodies and functions. These institutions and SAI usually cooperate in controlling or preventing corruption and in raising awareness and promoting ethics in the public sector.

• A significant majority of SAI consider that they have the power to audit ethics related issues, even though their legal mandate does not specify that approach.

- Some of the SAI do assess ethics related issues while dealing with financial, compliance and/or performance audits but very few indicate that they perform ethics' specific audits.

- SAI mention that, while dealing with ethical related issues, they cover transparency, integrity, fraud and prevention of corruption, mainly in decision maker's behaviour and in procurement processes. Raise public opinion's awareness and accountability and changes within management practices are identified as the most relevant outcomes of SAI audit activities in this area.

- Just a few SAI declare having specific guidelines or methodology for the assessment of ethics related issues. A majority of SAI consider the usefulness of EUROSAI to provide specific guidance on the assessment of ethics related issues.

- A majority of SAI expressed their interest and readiness to provide information and/or expertise in auditing ethics related issues to other SAI.

The Task Force concluded on the need to further explore this issue, namely by discussing with the EUROSAI community the main challenges that SAI face when auditing integrity issues.

With that discussion as the main objective, a TFA&E seminar about *Auditing Ethics* was held on 17-18 September 2013, in Luxemburg. This seminar was organised and hosted by the European Court of Auditors.

In a very interactive approach, the participants to this seminar discussed issues such as "*why auditing ethics related matters*" and "*which criteria, methods and tools to use*". These issues were approached either through open discussions or around concrete audit cases and tools presented by selected SAI.

Christoph Demmke, from the European Institute of Public Administration (EIPA), made a keynote presentation on "*Understanding, managing and measuring ethics and ethical frameworks*" and Inés Ayala Sender, member of the European Parliament, spoke on their perspective about auditing ethics-related issues.

Representatives from ASOSAI and CEPAT/OLACEFS also participated quite actively in this seminar.

The conclusions of this seminar were the following:

- Public ethics/integrity is a subject that deserves to be put in the control agenda of SAI.

- Auditing ethics related subjects fits implicitly in the SAI's broadly defined audit mandate.

- SAI are in the position of adding value and having impact by facing the challenges of using systemic approaches focused in improving systems, choosing measurable topics and setting agreed criteria.

- SAI would benefit from continued share of experiences and further reflection and guidance on specific standards, measurement criteria and methods and tools to be used in ethics related audits.

Documents of the seminar are available through the TFA&E webpage.

Some of these issues will also be discussed with auditors in the forthcoming YES Congress, in order for the Task Force to get a broader view on this new activity for SAI.

The TFA&E will continue to develop the activities scheduled in its working plan. Its 2014 annual meeting will take place in Bucareste, Romania, in the beginning of April. ■

REPORTS ON EUROSAI ACTIVITIES