

## REPORT TO THE EUROSAI GOVERNING BOARD

Reporting Period: Jun-Dec 2014

### 1. The Task Force for Audit & Ethics (TFA&E)

In June 2011, in Lisbon, following a recommendation of the VIII EUROSAI Congress and within the Portuguese Presidency's priorities, the EUROSAI Governing Board, under the proposal of *Tribunal de Contas*, set up a Task Force to deal with *Audit & Ethics* (TFA&E), aiming at ***promoting ethical conduct and integrity, both in Supreme Audit Institutions (SAI) and in public organisations***. The Task Force should build upon this theme and share the results with the SAI's community.

While the TFA&E started its activities with 11 members, 22 EUROSAI SAI are now participating in its work:

- Albania
- Croatia
- Cyprus
- Czech Republic
- European Court of Auditors
- Fyr of Macedonia
- France
- Hungary
- Iceland
- Israel
- Italy
- Malta
- Montenegro
- Poland

- Portugal (Chair)
- Romania
- Russian Federation
- Serbia
- Slovenia
- Spain
- The Netherlands
- Turkey

## 2. The TFA&E work

The work of the TFA&E combines the main EUROSAI goal 3 of sharing knowledge, information and experiences with the objective of strengthening relationships with other organisations of audit professionals.

The Task Force's working plans have been based on two goals:

- **Goal 1:** *Contribute to raise public confidence in SAI by supporting the implementation of ISSAI 30 (Code of Ethics)*
- **Goal 2:** *Promote ethical conduct in public organisations through the SAI's activities.*

During the period 2012-2014 the Task Force has fulfilled all the projects included in its working plan.

The main initiatives and achievements of this period were:

- **SURVEY**

All EUROSAI members were surveyed in December 2012 about their frameworks and practices in guiding, managing and controlling ethics. Through the same survey, all EUROSAI members were asked about their practices, methods and interests in auditing ethics related issues.



64% of EUROSAI SAI replied to this survey, answering the questions, sharing their experiences and sending several ethics and audit related documents.

The report on the results of this survey, available in the TFA&E webpage and also in the EUROSAI website, summarises the offered replies, which were also used to prepare the TFA&E seminars and papers.

The replies to the survey were intensively used for the other TFA&E activities, namely the preparation of seminars and papers.

- **PAPERS**

- In June 2013 the TFA&E issued a first paper *“Supporting SAI to enhance their ethical infrastructure- Part 1: a general overview of SAI’s ethical strategies and practices”*. This paper reflects on the results of the TFA&E survey, against the ethical standards for SAI, as included in the ISSAI, as well as against the elements of an ethical infrastructure, as defined by OECD. It concluded that, as a general trend, EUROSAI member SAI strive to meet the main ISSAI ethical requirements. They are presently focusing in establishing and executing ethics-related guidance and orientation measures, while the ethics infrastructure control function is less developed.

This paper is available in the five EUROSAI official languages and also in some other European languages in the TFA&E webpage as well as through the EUROSAI website.

- In June 2014 the Task Force issued a second paper *“Supporting SAI to enhance their ethical infrastructure- Part 2: managing ethics in practice”*. The basis for this paper is the description of concrete experiences related to the management of ethics. The experiences were identified through the information gathered in the TFA&E survey and through later contacts with SAI from EUROSAI and other INTOSAI Regions. The paper also builds on the

seminars held by the TFA&E and the contacts with OECD Public Sector Integrity Division. Experiences are described by the SAI themselves.

- Good practices in training and courses on ethics were also identified, listed and included in part 2 of the above mentioned paper.
- In June 2014 the TFA&E also issued a paper about “*Auditing Ethics*”. This paper reflects on the results of the survey and builds on them, including articles from several authors and SAIs. It tackles issues such as: how ethical issues are important to be dealt with in the SAI’s audit work; possible audit approaches and the description of several audit reports and studies conducted by SAIs; some methods and tools that can be used in the audit work when it comes to ethics related issues.

## • SEMINARS

- In September 2013 the TFA&E held a seminar about “*Auditing Ethics*”. This seminar was organised and hosted in Luxembourg by the European Court of Auditors. The seminar was designed as to share experiences and discuss the possibilities and paths SAIs could use to audit ethics related issues.

The main conclusions were that public ethics/integrity is a subject that deserves to be put in the control agenda of SAIs, that auditing ethics related subjects fits implicitly in the SAI’s broadly defined audit mandate and that SAIs are in the position of adding value and having impact by facing the challenge of using systemic approaches focused in improving systems, choosing measurable topics and setting agreed criteria.

The agenda of this seminar, the presentations and documents, the conclusions of discussions and of the seminar and the evaluation report can be found in the TFA&E webpage.



- In January 2014 the TFA&E held a seminar about “Enhancing Ethics within Supreme Audit Institutions”. This seminar was organised and hosted in Lisbon by *Tribunal de Contas*, the SAI of Portugal.

The seminar included the presentation of the ISSAI ethical requirements, the OECD integrity framework, the IntoSAINT tool and some ethical strategic approaches as well as the sharing of experiences through workshops, discussions and brainstorming in small groups.

The agenda of this seminar, the presentations and documents, the conclusions of workshops and discussions, the conclusions of the seminar and the evaluation report can be found in the TFA&E webpage.

- **WORKSHOPS**

For the YES Congress (Rotterdam) and for the IX EUROSAI Congress (The Hague) both hosted by the Netherlands Court of Audit, the TFA&E prepared and delivered two workshops related with **Ethics within SAI**. They were used both as inputs and outputs of the Task Force. This means they were used to disseminate its work and, at the same time, to collect further views and opinions for its projects. The workshop held in the YES Congress related with training initiatives and materials and the workshop prepared for the EUROSAI Congress related with ethical leadership.

In what concerns **Auditing Ethics**, the TFA&E also prepared and delivered workshops for the same events. The workshop held in the YES Congress, in an exercise format, continued to explore the issues raised in the Luxembourg seminar: the importance of auditing ethics related issues and the choice of the relevant subjects, the key audit questions and the adequate audit criteria. The workshop organised for the EUROSAI Congress, led by the SAI of Croatia,



related with how to audit public procurement from an integrity perspective.

Additionally, workshops were organised during the TFA&E meetings to discuss several issues, namely the strategic goals and the activities to be developed by the TF.

- **TFA&E WEBPAGE**

The TFA&E designed and implemented a website available in <http://www.eurosai-tfae.tcontas.pt>. A link to this webpage is also available in the EUROSAI website.

This website includes a public part with:

- Useful information about the TFA&E (objectives, members, contacts)
- Activities (working plan, cooperation, reports, survey, papers)
- Meetings (agenda, participants, minutes, documents)
- Seminars (programme, participants, documents)
- Documents
- Articles
- Photos
- Links

There is also a Member's section, log-in and password protected, where working or reserved documents can be found only by authorised persons within the membership of the TFA&E.

- **COOPERATION**

For developing its activities the TFA&E established some cooperation with other INTOSAI groups. The TFA&E liaised with EUROSAI Goal Team 2, with the INTOSAI Professional Standards Committee and with the INTOSAI Development Initiative (IDI), due to the fact that goal 1 of its activities relates to the implementation



of ISSAI 30. Within this liaison, the TFA&E was involved in the ISSAI 30 review process.

Other Regional Working Groups of INTOSAI were also contacted. Based on the documentation that ASOSAI kindly sent the TFA&E, some interesting experiences from this region were explored and presented in the seminars and in the TFA&E papers (SAIs of Indonesia, Korea and Philippines). OLACEFS also participated in the seminars and in the papers, through its Presidency, the SAI of Brazil, one of its specific committees (CEPAT: Committee for public ethics, administrative probity and transparency) and the SAIs of Chile, Guatemala and Costa Rica. ARABOSAI and AFROSAI were also represented, by the participation of SAIs of Algeria and Cape Vert in one of the seminars.

For the seminars and papers, the TFA&E also cooperated with external partners: EIPA (European Institute of Public Administration) and the OECD Public Sector Integrity Division.

- **DISSEMINATION**

Besides the dissemination of its work through the seminars, papers, websites and magazines, the TFA&E agrees with the hosts of its meetings to use the meeting opportunities to deliver conferences to the host SAI's employees concerning ethics related issues.

### **3. The TFA&E 2014-2017 Working Plan**

In June 2014, the IX EUROSAI Congress confirmed the TFA&E mandate for a new period in order to develop the following goals and projects:

## GOAL 1: PROMOTE ETHICS AS A PILLAR OF SUPREME AUDIT INSTITUTIONS

Objectives	Activities/Projects
<b>1. Raise awareness on the importance of ethics as a key pillar of SAI</b> , focusing notably on leadership role, on implementation practices and on people	Organise seminars/workshops
	Explore leadership role and identify methods to improve the tone from the top
	Prepare materials for raising awareness (v.g. practical dilemmas' presentation, videos, etc.)
	Establish electronic forum
<b>2. Strengthen the ethics' monitoring and control systems in SAI</b>	Provide guidance on how to build the control system
	Identify, describe and/or prepare control and evaluation tools
	Encourage self-assessment, internal evaluation and peer review as a regular practice in SAI
	Support a post-assessment approach
<b>3. Monitor SAIs' ethical frameworks and practices as a tool for improvement</b>	Monitor and update the list of SAI's frameworks and practices
	Conduct a new survey by the end of the period and compare results with the previous survey
<b>4. Follow/support work of ISSAI 30 review and IDI</b>	Closely follow development of ISSAI 30 review
	Liaise and support IDI's work on SAI ethics' capacity building where needed

## GOAL 2: PROMOTE ETHICAL CONDUCT IN PUBLIC ORGANISATIONS THROUGH THE SAI'S AUDIT ACTIVITIES

Objectives	Activities/Projects
<b>1. Issue common guidelines to audit ethics/integrity</b>	Map and study existing guidelines/methodologies/tools/questionnaires /checklists both for common and specific audits
	Organise seminar about methodologies to audit



Objectives	Activities/Projects
	ethics, including expertise in measuring soft controls
	Draft common guidance
	Disseminate and test guidance
<b>2. Raise awareness and encourage SAI to audit ethics related issues and monitor SAI's ethics related audit practices</b>	Publish articles/papers about auditing ethics
	Monitor and update the list of SAI's ethics related audit practices by asking information on audits and reports on an annual basis
	Conduct a new survey by the end of the period and compare results with the previous survey

## FOR BOTH GOALS 1 and 2

Objectives	Activities/Projects
<b>1. Disseminate progress both to EUROSAI Members and to other INTOSAI Regional Working Groups</b>	Permanently review and update of the TFA&E website structure and content
	Liaise with other INTOSAI Regional Working Groups and include them in the TFA&E activities

From June to December 2014, the TFA&E has mainly worked on exploring the leadership role in managing ethics and on contributing to the review of ISSAI 30, as mentioned below.

The annual meeting of the TFA&E will be held in April 2015, in Italy, launching the rest of the activities for this new period.

- ### • THE LEADERSHIP ROLE IN MANAGING ETHICS

Considering the results of the workshop held during the IX EUROSAI Congress and the previous TFA&E's work in this field, the Task Force has already prepared a list of the leading and management attitudes and initiatives that are expected from SAI's leaders to deal with ethics in their organisations. This list will base some of the TFA&E



future projects, such as videos or training. It has already been used to prepare an article for the EUROSAI Magazine and to feed the review work on ISSAI 30. The list is attached as annex.

- **ISSAI 30 REVIEW**

As mentioned, following contacts with the INTOSAI PSC, the TFA&E has been involved in the process to review ISSAI 30. The chair of the INTOSAI ISSAI 30 review team (the SAI of Poland) became a member of the TFA&E and invited the Chair of the TFA&E, to join the review team, in order to ensure an effective articulation and cooperation in the field.

Other members of the TFA&E have also joined the ISSAI 30 review team (namely the SAIs of Albania, Hungary and The Netherlands) and the results of the TFA&E work (particularly the results of the Lisbon Seminar and the content of the TFA&E papers) have been useful inputs for the review process.

The review is in the drafting process and the TFA&E members have been active in introducing important features, such as the distinctive character of ethics' approach for public audit, an institutional perspective for the management of ethics in SAIs and the specific leadership role.

## 4. Outlook

For the coming activities described in the 2014-2017 Working Plan the TFA&E has some challenges to face:

- **Being able to effectively disseminate and implement the results of its work throughout and inside the SAIs.** This is important to consider because one of the things often observed is that Working Groups and Task Forces produce work and tools that



are not well known and that are not actually used in SAIs. In this respect, we can observe that, not only conferences in host SAIs have been conducted but also that several SAIs have translated the TFA&E papers for their national languages and have taken ethics' measures as a result of the TFA&E activities. To support wider promotion of papers developed by TFA&E within the auditing community, their copies or information about them are also shared on various joint events, e.g. at the IX EUROSAI Congress, and also included in magazines.

- **Having an electronic platform available to implement some of its activities**, namely an electronic forum. The availability is a pre-requisite but it is only a starting point. Experience has shown that keeping such a forum alive and participative is quite difficult.
- **Use a different vehicle for its messages**. The Task Force has agreed to produce videos to spread its messages and that is a new approach demanding for new capabilities and, eventually, funding.

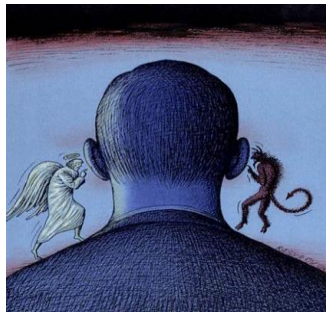
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## ETHICS LEADERSHIP: SET THE TONE FOR ACTION

### THE IMPORTANCE OF ETHICS LEADERSHIP

Identifying the contribute of leaders and managers to enhance ETHICS in Supreme Audit Institutions



List important leading and management attitudes and initiatives to make sure ethics is a key pillar of SAIs

Don't do this!	A must do	Role
<ul style="list-style-type: none"> <li>Not having a code of ethics in your SAI</li> </ul>	<ul style="list-style-type: none"> <li><b>Establishing a code of ethics in your SAI to:</b> <ul style="list-style-type: none"> <li>State values</li> <li>Guide</li> <li>Set criteria for behaviour and performance</li> <li>Ensure stakeholders' trust</li> </ul> </li> </ul>	<p><b>Strategic Approach to Integrity</b></p>
<ul style="list-style-type: none"> <li>Closing your eyes to integrity risks</li> <li>Denying integrity problems</li> <li>Solely relying on individuals' actions</li> </ul>	<ul style="list-style-type: none"> <li><b>Making it clear</b>, through frequent statements and specific policies, <b>that ethics is a priority</b></li> <li><b>Putting ethics in the top management agenda</b></li> <li>Putting in place a strategic approach to ethics, targeted at <b>building an ethics infrastructure</b></li> <li><b>Allocating resources to ethics</b> (time, staff, space, training)</li> </ul>	
<ul style="list-style-type: none"> <li>Not giving a good example, doing the opposite of the requirements</li> <li>Abusing your power</li> <li>Using your position for personal benefits or using the office for political power</li> <li>Trying to influence the recommendations and outcomes of the audit missions or refraining from publishing some of the audit results, due to political or personal reasons (e.g. career)</li> <li>Being arrogant: <i>"I'm the boss. I don't need to respect my staff"</i></li> <li>Not taking responsibility</li> </ul>	<ul style="list-style-type: none"> <li><b>Demonstrating</b> fundamental values</li> <li><b>Concerning for others</b> and showing it</li> <li><b>Being consistent</b> with what is required from everyone</li> <li><b>Reacting ethically</b> in critical situations</li> <li>Ensuring true <b>professional management</b></li> <li><b>Respecting, guiding and giving feedback</b></li> <li><b>Being fully accountable</b> for own and other's decisions and behaviours</li> <li>Ensuring <b>high standards of accountability and transparency</b></li> </ul>	<p><b>Lead by Example: Being the Model</b></p>

Don't do this!	A must do	Role
<ul style="list-style-type: none"> <li>• Allowing nepotism, employing relatives and friends</li> <li>• Not demanding enough from your staff: accepting or stimulating unqualified workforce</li> <li>• Demanding too much from staff and not providing enough resources</li> <li>• Making or allowing promotions not based on merit</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Apply merit and ethics as the main features of the daily management practices</b>, e.g. in the human resources policies (recruitment, performance appraisal, professional development)</li> <li>• <b>Recognising and rewarding good behaviour</b></li> <li>• <b>Taking actions that develop trust</b>, such as sharing useful information</li> </ul>	<p><b>Ethical Management</b></p>
<ul style="list-style-type: none"> <li>• Deciding alone, not involving teams and staff</li> <li>• Ignoring needs and expectations of others</li> <li>• Not discussing ethics problems</li> <li>• Not facilitating advice and guidance</li> </ul>	<ul style="list-style-type: none"> <li>• Being <b>inclusive</b></li> <li>• <b>Giving employees a voice</b> in the decision making processes</li> <li>• <b>Encouraging discussion</b> of ethics' issues, problems and dilemmas</li> <li>• Ensuring an open and <b>mutual learning</b> environment</li> <li>• Providing <b>guidance</b></li> <li>• Making sure that <b>ethics' advice</b> is available to staff wanting to discuss concrete situations</li> </ul>	<p><b>Open Door Policy</b></p>
<ul style="list-style-type: none"> <li>• Doing nothing to prevent unethical behaviour</li> <li>• Doing nothing to face problems</li> <li>• Disobeying code of ethics</li> <li>• Not managing unethical situations</li> <li>• Not taking care of working discipline</li> </ul>	<ul style="list-style-type: none"> <li>• Identifying and solving <b>potential ethical risks or conflicts</b></li> <li>• <b>Assessing behaviours</b> and reviewing intentions</li> <li>• Using permanent awareness and <b>monitoring/control</b> tools</li> <li>• Taking <b>firm corrective actions</b> when needed</li> <li>• Establishing <b>whistleblowing</b> policies</li> <li>• Ensuring <b>fair hearing</b> procedures</li> <li>• Never stop <b>re-examining</b></li> </ul>	<p><b>Enforcement</b></p>