



SUPPORTING SAIs TO ENHANCE THEIR ETHICAL INFRASTRUCTURE

Part II-Annex

*Managing
Ethics in
Practice-*

SAIs' articles



List of abbreviations

- ALSAI:** Albanian Supreme Audit Institution
- ARABOSAI:** Arab Organisation of Supreme Audit Institutions
- ASOSAI:** Asian Organisation of Supreme Audit Institutions
- BAI:** Board of Audit and Inspection of Korea
- BFK:** Audit Board of the Republic of Indonesia
- BNAO:** Bulgarian National Audit Office
- C&AG:** Comptroller and Auditor General
- CBE:** Centre for Business Ethics (Croatia)
- CET:** Ethics Committee
- CoE:** Code of Ethics
- CREFIAF:** Regional Training Committee for French Speaking Subsaharian African SAI
- DG:** Directorate General
- EC:** Ethics Committee
- ECA:** European Court of Auditors
- EPSO:** European Personnel Selection Office
- EU:** European Union
- EUROSAI:** European Organisation of Supreme Audit Institutions
- FCS:** Fraud Control System
- fyR:** Former Yugoslav Republic
- GAO:** Government Accountability Office
- HR:** Human Resources
- IA:** Internal Audit Department
- iCATs:** ISSAI Compliance Assessment Tools
- IESBA:** International Ethics Standards Board for Accountants
- INAO:** Icelandic National Audit Office
- INTOSAI:** International Organisation of Supreme Audit Institutions
- IntoSAINT:** Integrity Self Assessment for SAI
- IS:** Independence Statement
- ISQC:** International Standard on Quality Control

ISSAI: International Standards for Supreme Audit Institutions

IWS: Interest and Wealth Statement

IDI: INTOSAI Development Initiative

MPs: Members of Parliament

MP/TCU: General Public Prosecutor (Brazil)

NAO: National Audit Office

NAOL: National Audit Office of Lithuania

NCA: Netherlands Court of Audit

NGO: Non-Governmental Organisation

NIK: SAI of Poland

OECD: Organisation for Economic Co-operation and Development

OLACEFS: Organisation of Latin American and Caribbean Supreme Audit Institutions

OTAC: Body dealing with confidential issues (Spain)

PMF: Performance Measurement Framework

RCoA: Romanian Court of Accounts

SAI: Supreme Audit Institution

SAO: State Audit Office or Supreme Audit Office

SR: Slovak Republic

TCA: Turkish Court of Accounts

TCU: Federal Court of Accounts of Brazil

TFA&E: Task Force on Audit & Ethics

UN: United Nations

UK: United Kingdom

US: United States of America

3i programme: IDI ISSAI Implementation Initiative

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Having an organisational policy on integrity

Ethics in SAIs

By INTOSAI Development Initiative

idi@idi.no



Ethical behaviour of the SAI and its people forms the cornerstone of any well-functioning SAI. For an SAI to lead by example and deliver value and benefits, an SAI would not only need to adopt appropriate code of ethics, but also to put in place a robust implementation and regulatory framework that holds its people to account for ethical practice. The social and economic environment in which the SAI operates and its organisational culture have great influence on ethical practices in the SAI. The objective would be met only when the SAI can report that its entity level and audit level practices actually comply with the stated principles of its adopted code of ethics.

As such, there are some key questions that an SAI and its leadership would need to answer when considering whether the SAI as an entity complies with requirements of ISSAI 30 Code of Ethics.

SAIs could ask the following questions to check if they have in place the necessary mechanisms that ensure ethical practice:

1. Is the SAI environment and organisational culture conducive for ethical practices?
2. Has the SAI adopted a code of ethics?
3. Is this code of ethics aligned to ISSAI 30?
4. Does the SAI have mechanisms in place for implementing each element of the code? Do these mechanisms work well in practice?
5. Does the SAI have a regulatory mechanism for holding its people to account for actual ethical practice? Are consequences of noncompliance with ethical code defined and implemented?

The IDI and ISSAI 30

The ISSAI Implementation Initiative or 3i Programme of the IDI aims to support SAIs in developing countries in moving from current situation to ISSAI based practices. ISSAI 30 forms an important part of this programme.

The requirements of ISSAI 30 are embedded in entity level considerations in the ISSAI Compliance Assessment Tools. This tool would enable an SAI to map its current practices to the requirements of ISSAI 30, so that the SAI can determine whether there are any gaps and formulate a strategy to address the gaps.

At the 3i Management Workshops held in the five English speaking regions, SAI top management have presented their situation vis a vis implementation of ISSAI 30. 55 SAIs have committed to conducting iCATs to map status of compliance. The 3i Programme will also be delivered in ARABOSAI, OLACEFS and CREFIAF where more SAIs are expected to give such commitments and carry out iCATs, which include ISSAI 30 requirements. The IDI has in place a maintenance mechanism by which the 3i Products will be updated as and when the ISSAIs are updated.

The 3i Community Portal www.idicommunity.org offers a community of practice on Level 2 ISSAIs. Articles on SAI ethics can also be published under ISSAI Talks.

The way ahead for the IDI

ISSAI 30 will form a part of any support solution for implementation of ISSAIs. The IDI is currently looking at ways and means of strengthening its existing certification mechanism for offering ISSAI certification programmes on a regular basis. ISSAI 30 will form an integral part of such certification programmes. The IDI also welcomes partnerships to work further in this area.

For further information: Please visit the 3i Community Portal at <http://www.idicommunity.org/3i/> or the IDI website www.idi.no. You may also contact Shourjo Chatterjee, Knowledge Manager, IDI at Shourjo.chatterjee@idi.no.

Good practices in managing ethics for SAIs: GAO's approach

by James Dalkin, Eric Holbrook and Sophie Brown, US GAO
contact@gao.gov

The U.S. Government Accountability Office's (GAO) value to the Congress and the American people rests on our ability to demonstrate that our work is professional, independent, objective, and accurate. Good practices in managing ethics at SAIs should reflect the highest standards of honesty, integrity, impartiality, and ethical conduct by our employees in pursuing our missions.

This article highlights three aspects of GAO's approach to managing ethics: (1) as a government agency, GAO's structure fosters an ethical atmosphere; (2) our executives communicate expectations of integrity and impartiality regularly; and (3) our policies and procedures were instituted to ensure adherence to these principles.

Structural safeguards

A key aspect of GAO's ethics environment is the structure of the agency and the lack of political pressure on employees. GAO is an independent, nonpartisan agency within the legislative branch of our government, allowing us to be independent from the executive branch agencies we typically audit. The head of GAO, the Comptroller General of the United States, is the sole political appointee in the organisation. To shield the Comptroller General from political pressures, he or she is appointed to a 15-year term by the President, from a slate of candidates proposed by a bipartisan, bicameral congressional commission. In determining whether to accept congressional requests for our work, we consider how each request can be fulfilled while maintaining our independence, professional standards and core values. This structure allows the agency to remain nonpartisan and take a fair and balanced approach to all of our work.

Ethical Leadership

GAO communicates to employees the expectation of honesty, impartiality, integrity, and ethical conduct from the beginning of their careers with the agency. Newly hired employees take a standard ethics course within 3 weeks of joining the organisation. Within 2 years of joining GAO, employees take a course on GAO's core values and culture as well as a course on Government Auditing Standards. After this initial training, employees are given an annual refresher course on independence. Employees also receive regular communication from the Comptroller General and other executives. The Comptroller General communicates the importance of quality, professionalism, character, and integrity through frequent Comptroller General chats, agency newsletters and quality assurance measures.

Policies and Procedures

The foundation of GAO's ethics policy and procedures is adherence to the ethical principles promulgated in Government Auditing Standards: the public interest; integrity; objectivity; proper use of Government information, resources, and positions; and professional behaviour.

At GAO, we have created a formal framework based on these principles to guide employees. This Quality Assurance Framework brings together all elements of our policies and procedures used to ensure quality and reliability. The framework provides reasonable assurance that our work is professional, independent (in fact and appearance) and objectively designed; our evidence is sufficient

and appropriate; our conclusions are supported; our products are fair and balanced; and our recommendations are sound.

An integral part of our Quality Assurance Framework is the Code of Ethics. This code provides guidance to employees and establishes a number of requirements for employees. The GAO Code of Ethics helps employees navigate matters such as protecting integrity; seeking new employment; accepting gifts, entertainment, and favours; participating in writing and speaking activities involving GAO; and engaging in outside activities. For example, there is a requirement for GAO employees to report to their managers when they are seeking employment at the entity being audited. There is also a requirement that an employee obtain his or her manager's approval to engage in outside activities. Employees, whether compensated or uncompensated, need prior permission to associate as volunteers, employees, partners, advisors or consultants with non-GAO organisations, businesses, or entities. Employees must also have travel approved by a manager and while on travel they must use a government-issued travel credit card.

GAO has also implemented routine controls that serve to remind its employees of independence issues and act as documentation that is reviewed during internal and external inspections. For example, on a biweekly basis, employees affirm their independence for the work they performed, as required by Government Auditing Standards. To document the independence assertion for each engagement, employees also sign an annual statement of independence stating that there are no impairments to their independence and that they will promptly notify a senior manager on their current assignment if a threat to their independence that may require safeguards should arise. In addition, GAO employees are required to submit annual financial disclosure reports. Both the statements of independence and financial disclosure report are reviewed by management. The reviewer must satisfy him/herself that each form is complete and that no interest disclosed on the form presents a conflict of interest, apparent conflict of interest, or impairment to independence. The four major areas reviewers pay particular attention to are (1) financial investments; (2) outside activities, either paid or voluntary; (3) spousal employment; and (4) reimbursement of expenses for conferences, association meetings, and similar events.

In addition to the policies in place at the employee level, there are controls over the organisation to ensure that the agency remains accountable and independent. Annually, GAO's Office of Audit Policy and Quality Assurance inspects the organisation's system of quality control for work done under Government Auditing Standards and for work done as routine nonaudits to determine whether it is suitably designed and operating effectively so that established policies and procedures and applicable Government Auditing Standards provisions are being followed. Every 3 years, independent reviewers from other supreme audit institutions perform a peer review of GAO's system of quality control for work done under Government Auditing Standards to determine whether it is suitably designed and operating effectively.

Good practices in managing ethics at supreme audit institutions are multipronged. Institutions should be organised in a way that relieves pressure from employees and executives to act unethically. Expectations of integrity, impartiality, and ethical conduct should be communicated regularly. Controls should be put in place to reinforce ethical decisions. At GAO, these mechanisms have created an environment where employees can achieve GAO's mission in an ethical manner. It is because of our independent, objective, and accurate work that GAO is able to provide value to the Congress and the American people.

Strengthening ethics and integrity in the State Supreme Audit Institution of Albania

by Bujar Leskaj, Chairman of the State Supreme Audit of Albania
klsh@klsh.org.al



Installing an effective ethics and integrity system has been in the focus of the institutional strategy of the State Supreme Audit Institution of Albania (ALSAI) since 2012.

The measures to implement it have as main objective the modernisation of the ALSAI and the policy followed in this case is a *balance policy* through:

- Encouraging integrity (*prevention*)
- Punishment measures in response to violations of ethics/integrity incidents (*repression*)

In order to fulfil the accomplishment policies, we have taken the following steps:

- Designation of a regulatory framework (internal regulations, orders or guidelines, standards translations, publications etc.)
- Disseminating rules and standard procedures through training to educate employees with the spirit of the standards and moral values (20 training days per year for an auditor, 5 days of which belonged to the topics of ethics and integrity)
- In 2012 a special structure/unit, the *Investigating Directorate*, was established at the ALSAI. This unit is responsible for investigating violations of ethics/integrity by the auditors and the other staff of ALSAI. Signals, complaints and letters received internally and from the public are verified in this unit. This is a measure with preventive effect for strengthening the integrity control system in ALSAI.

Investigating and penalising ethics/integrity violation acts

As a result of the functioning of this structure during 2013, four auditors were sent for further proceedings to the prosecution. They were accused/charged for abuse during the exercise of their duties in the audited entities. Also, a set of disciplinary measures are given for the auditors as an immediate response to violations of the ethics/integrity acts.

During 2013 one of the priorities was the allocation of budget funds towards the:

- Establishment of an investigation directorate and a communication sector with the public
- Trainings of internal and external resources
- Translation of standards and best practices in the field of behaviour, ethics and integrity
- Publications with a broad spectrum of content on ethics, etc.

Communication

In order to establish a new organisational structure, the President issued in 2013 Directive no. 3 on "*Direct communication for improving and enhancing the performance of audit regarding the implementation of INTOSAI standards in ALSAI*".

This directive was the expression of "positive criticism" from the bottom up, through opinions and suggestions for improving work in our institution. This was a practical, democratic and comprehensive innovation, applied for the first time.

It is also a "tool" for effective promotion of integrity because the communication is key for promoting

ethics/integrity through organisational culture. Through this guide the auditors were truly encouraged to discuss problems and weaknesses of management problems or even express suggestions and opinions for improving the management, also in the ethics/integrity field.

Membership to the EUROSAI Task Force on Audit&Ethics (TFA&E)

In 2013, ALSAI was accepted as a member of the TFA&E. Through this membership and active participation in TFA&E ALSAI aims at:

- Installing, enhancing and strengthening an effective ethical infrastructure in the SAI
- Promoting and auditing ethics/integrity in the public sector institutions.

Perspectives

For the future, ALSAI's development strategy 2013-2017 defines some objectives and activities as follows:

"2: Increasing audit capacity and quality, Sub objective 2.1: Development of the integrity audit"

The foreseen activities are *"Drafting Integrity Audit Manual of public entities and training the staff to conduct Integrity Audits during the period of April-May 2015"*. The structure responsible for this task is the HRD, IPA project experts and representatives of TFA&E.

"Sub-objective 2.1: internal rules to be developed in some areas"

The foreseen activities are *"To draft an updated Code of Ethics and Rules of Behaviour by March 2015"*. The structure responsible for this task is the HRD and representatives of TFA&E.



Plan for Preventing Integrity Risks

by José Tavares, Director General at Tribunal de Contas, Portugal
dq@tcontas.pt

Mapping out evolving risks is a key tool for management and prevention of misconduct. A recommendation of July 2009 for Portuguese public sector organisations establishes that entities managing public resources (as money, securities or assets) must have plans for managing risks.

Tribunal de Contas of Portugal has prepared a management risks plan, based on the contributions of all departments of the organisation, which works as a key operational management tool. This plan is structured through 9 organic reference groups, corresponding to several identified departmental and/or cross-departmental risks, as well as control risk mechanisms (existing or yet to be implemented).

One of the groups, included in the cross-departmental risks, refers to an Integrity Plan for the organisation. It identifies risks related to breaches in ethical conduct and establishes the corresponding prevention measures.

This framework is completed with a set of risk control tools, pointing out the ones that are already put in place (and respective backing documents) and the ones that should be created to minimise the existing risks. In this case, a deadline is also fixed and the person/team responsible appointed.

For example:

Risk: Breaches to organisational values (independence, integrity, accountability, transparency, objectivity, impartiality and professional confidentiality)				
Prevention measures	Risk control tools			Deadline/responsible
	Existing	Yet to be Implemented	Background documents	
(...) ¹	Assessing and solving complaints in a timely manner		Procedures folders	
Respect for guidance and tools that aim at assuring the compliance with ethical principles and values		Survey to the auditees on the ethical conduct of auditors		End of 2014/ Director General
	Regulation on gifts and hospitality		President Act nº xxx	
(...)	Training on ethics and deontology		Training Plan/ documentation of the courses	Permanent task/ Training Department

¹ This is just an example. For this risk, the plan includes 6 other prevention measures

The plan is periodically evaluated by the internal audit office to assess the effectiveness of the initial plan and to suggest improvements deemed necessary to a clearer and more concise identification of expected patterns of behaviour towards the identified risks.

Setting the basis: values and norms as the guidance fundamentals

Ethical rules in the SAI of Russia: an articulated system of legal regulations and recommendations



By Sergey Zhuk, Director of Legal Department,
Accounts Chamber of the Russian Federation
intrel@ach.gov.ru

The Accounts Chamber of the Russian Federation pays great attention to the problem of ethics' management in its everyday activities. It is due to this fact that a complex system of legal regulations and recommendations governing the activities of civil servants in terms of ethics has been introduced in the SAI of Russia. It is based on Federal Law No. 41-FZ, dated April 5, 2013 "*On the Accounts Chamber of the Russian Federation*", which allows identifying general values and principles to be followed by auditors in their everyday life.

No less important element forming the basis of the system is the Code of Ethics and Labour Conduct of Federal State Civil Servants of the Administration of the Accounts Chamber of the Russian Federation. It was developed in accordance with provisions of international and Russian regulatory legal acts, including, but not limited to:

- Constitution of the Russian Federation;
- International Code of Conduct for Public Officials (Resolution of the UN General Assembly No. 51/59 of December 12, 1996);
- Model Code of Conduct for Civil Servants (Annex to the Recommendation of the Committee of Ministers of the Council of Europe dated May 11, 2000, No. K (2000) 10 regarding the Code of Conduct for Civil Servants);
- Federal Laws of July 27, 2004 No. 79-FZ "*On State Civil Service in the Russian Federation*"; of April 5, 2013 No. 41-FZ "*On the Accounts Chamber of the Russian Federation*", of December 25, 2008 No. 273-FZ "*On Combating Corruption*" and other federal laws containing limitations, prohibitions and obligations for civil servants of the Russian Federation;
- Decree of the President of the Russian Federation No. 885 of August 12, 2002 "*On Approval of General Principles of Official Conduct of Civil Servants*";
- Lima Declaration of Guidelines on Auditing Precepts;
- INTOSAI Code of Ethics adopted by the XVI Congress of the International Organisation of Supreme Audit Institutions, in November 1998.

Due to the fact that the Code collects together and codifies the requirements for public morality of public officials, it:

- provides a framework for the formation of proper morals in the area of public service;
- is designed to help a civil servant be properly guided in complex moral collisions and situations caused by the specific nature of his/her work;
- is an important criteria for determination of professional eligibility of a person for the work in the area of civil service;
- serves as an instrument of public control over civil servants' morals.

Finally, the third document underlying this system is the Federal Law "*On State Civil Service in the Russian Federation*". Provisions set forth in this regulatory legal act apply to all Russian public officials

and are binding.

Moreover, the Accounts Chamber of the Russian Federation has an entire complex of regulatory legal acts in this or that way related to the issues of meeting the standards by employees (job descriptions, regulations, instructions).

Thus, a fairly articulated system governing the activities of employees of the Accounts Chamber in terms of ethics has been introduced in the SAI of Russia. The efficiency and effectiveness of this mechanism is proved by the fact of introduction of its analogues in other public audit institutions.

Ethics is the foundation of all SAIs' operations



By Gert Jönsson, Deputy Auditor General, Swedish National Audit Office

int@riksrevisionen.se

The title of this article may be seen as a platitude. A few fancy words to get the text off to a good start. But on reflection, it has its points; a Supreme Audit Institution cannot operate sustainably on the basis of flawed ethics. No matter what professional methods and skills the SAI employs, and no matter how daring the organisation is, its audit activities will be meaningless if the work is based on flawed ethics. At least in the long run. It may only take the straying of one single staff member from what the general public perceives as the ethically acceptable path to jeopardise the general reputation of the SAI.

A code of ethics is necessary to establish appropriate ethical behaviour for a SAI. The CoE should be the reference for staff behaviour and the basis for developing staff sensibility to ethical threats and challenges.

Now, having established the need for a thoughtful and demanding CoE, the SAI should consider some extremely important questions. There are no general answers to those questions - the final outcome of developing and establishing a CoE depends rather on the individual SAI's specific environment, experience and traditions.

The Swedish National Audit Office revised its CoE last year and had to deal with those questions. The Swedish SAI has started to implement ISSAIs for financial audit. As those ISSAIs encompass ISAs we must also comply with the general preconditions for referring to the ISAs in the Auditor's Report. This means that the SAI must comply with ethical standards that are at least as demanding as the IESBA code (the International Ethics Standards Board for Accountants). We found that there was reason to expand our CoE in order to fully align with the IEASBA Code. From this perspective we found that ISSAI 30 was not sufficient.

Detailed or conceptual code

The first essential question is whether the code should be detailed or not. It may be thought that a CoE should be as precise as possible. Rules that exactly determine what is prohibited are often seen as clearer as and more indicative than general policies and norms. However, this may be an illusion. When it comes to ethics it is almost impossible to anticipate all situations that may arise. Many ethical challenges are of a complex and varying nature. Furthermore, trying to set exact rules, no matter how detailed and diversified, always involves the risk of circumvention. The old rule applies: the more detailed the rules, the more loopholes will be found. The Swedish NAO came to the conclusion that a CoE on a conceptual level has the advantage of laying down the general direction so that staff understands the fundamental and essential nature of ethics and of making people aware that ethics is a mind-set rather than a matter of just following rules. From this perspective it seemed wise to us to develop a CoE that "speaks to" hearts as well as minds to convey the right message.

Dealing with threats

ISSAI 30 does not contain much guidance when it comes to dealing with threats to ethics. Hopefully, the planned review of ISSAI 30 will take that into consideration. Either way, it is advisable to pay attention

to this in individual SAI codes. The IESBA Code mentioned above requires the auditor to analyse, document and decide on how to mitigate threats appropriately in accordance with a model set out in that code. This may be helpful when developing a national code. The existence of a specific model to deal with threats to ethics indicates that many challenges are of a complex nature and therefore not possible to foresee and regulate in a detailed CoE. In the Swedish SAI we believe that such a model for analysis should be the basic instrument for managers and their staff to identify, analyse and mitigate threats.

Professional confidentiality vs. transparency

One very delicate question is how to deal with professional confidentiality. ISSAI 30 states that auditors should not disclose information obtained in the auditing process to third parties except for the purposes of SAI's statutory reporting. Of course, auditors are not expected to disclose information that has not undergone full quality assurance, information that has a low degree of materiality or, in the worst case could be regarded as gossip. On the other hand, one must bear in mind that SAIs should care about transparency. The need to protect information is often less in the public sector than in private enterprises. Furthermore, many countries have now introduced specific arrangements to protect whistle-blowers. Such whistle-blower protection may also encompass the staff of a SAI. It may therefore be necessary to mention the delicate balance between professional confidentiality and transparency. Professional confidentiality requirements may also in some countries come into conflict with legally binding rules set in order to protect whistle-blowers. This is the case in Sweden, where whistle-blowers are protected under the Constitution.

Sanctions

Many SAIs' managers and staff are inclined to think in terms of sanctions when considering codes of ethics or similar internal rules. In environments where corruption is widespread or where the general tradition is to always link infringements to penalties or other sanctions, it may be relevant to consider setting fixed penalties in relation to different infringements. However, there is reason to think twice on this matter. The Swedish NAO did not go down that road. Any infringement of the CoE is bad enough, but in our opinion a fair judgment must be made based on the full circumstances in the individual case. Was the infringement intentional or unintentional, is the potential damage to the SAI's reputation serious or negligible, and was it even possible to avoid the situation? The answer to those or other questions should form the basis of the SAI's response to infringements caused by the specific situation. The full arsenal of sanctions may be used depending on the specific situation in the individual case. Everything from a corrective action interview with the negligent staff member to harsher sanctions, such as dismissal, may be relevant in different situations.

Code of conduct of the Netherlands Court of Audit



by Linda Strijker, Integrity Coordinator at the Netherlands Court of Audit
internationalaffairs@rekenkamer.nl

The purpose of developing a code of conduct was not only to make a code of conduct, but also to put integrity and ethical behaviour on the agenda.

We started by integrating external sources. For example we took the requirements from INTOSAI regulations, the existing rules for Dutch civil servants.

Next, we put together groups of employees, from secretary to director, and asked them what dilemmas they come across while doing their jobs. In meetings we discussed which values are most important.

We chose to make the code of conduct a personal document for everybody and therefore we excluded rules and regulations and focused on values and behaviour. That led to our current code of conduct. The code contains eight values to help employees in their own considerations of how to treat each other and people outside the organisation.

I am professional	<i>I am answerable for the quality of my work</i>
I am independent	<i>I avoid any conflict of interests</i>
I am objective	<i>I work without prejudice</i>
I am trustworthy	<i>I work transparently and I keep all agreements made</i>
I show respect	<i>I accept differences in thinking and behaviour</i>
I am a good colleague	<i>I contribute to a pleasant working atmosphere</i>
I work economically	<i>I use public money carefully</i>
I work sustainably	<i>I treat people, planet and profit conscientiously</i>

To the NCA it is crucial that we do all we can to put these values into practice in our daily work, and that we communicate openly with each other if we have any questions about how to apply these. Openness and discussion give us the opportunity to clarify and supplement these values where necessary.

That's why we also put examples of dilemmas in the code of conduct. The dilemmas in this code of conduct are examples of situations employees may encounter in their daily work. There is no single correct answer for most of these dilemmas. The examples are primarily meant to set them thinking about integrity and what this means in practice.

The implementation of the code of conduct started with a kind of party. We closed the office for business and organised an afternoon of integrity. Different workshops about ethical dilemmas, integrity in the workplace and brainstorming about solutions ended with drinks and bites.

We distributed flyers and brochures and we also made a toy with the 8 values in the code of conduct, that is still used today like a stress ball and decoration.

After all this we organised a contest. Who came up with the best idea to keep the code of conduct alive, won. The results of this contest are being used ever since: dilemma trainings for everyone, training for new employees, regular ethics discussions in every department.



Rigsrevisionen's ethical principles

by Lone Strom, Auditor General of Denmark

info@rigsrevisionen.dk

Thank you for allowing me to contribute to the Task Force's paper "*Supporting SAIs to Enhance their Ethical Infrastructure- Managing Ethics in Practice*". My contribution explains the layout and structure of Rigsrevisionen's ethical principles. It also explains the rationale behind the chosen structure of the principles, the Code of Conduct and supporting documents. The Code of Conduct is only available in Danish, and a brief overview of the Code is therefore included in this paper.

Rigsrevisionen's Code of Conduct

Rigsrevisionen's Code of Conduct is a short 1,5 page document. The Code of Conduct lists all the ethical principles that Rigsrevisionen's employees are expected to follow. Some of the principles mentioned in the Code of Conduct are further elaborated in supporting documents, some principles origin in Danish national laws and regulations, and references to these are made where relevant.

Rigsrevisionen's employees have access to the Code of Conduct on the intranet. Once a year all employees are annually requested to declare, that their work in the previous year has been carried out in compliance with the Code of Conduct and the ethical principles listed herein.

Background information and development of the Code of Conduct

In Denmark, civil servants' behaviour is primarily regulated by a strong set of norms and culturally embedded rules of behaviour. Because of this reliance on norms, public sector institutions in Denmark generally do not have a detailed code of ethics, like the one outlined in ISSAI 30. Civil servants are not solely regulated by norms and good practice, but also by national laws and other written sources regulating and guiding civil servants. The Public Administration Act (dealing among other with capacity and independence) and the Access to Public Administration Files Act, both apply to Rigsrevisionen's employees. Examples of good behaviour by civil servants are also compiled in the guideline "*Good Practices in Public Administration*".

Rigsrevisionen's Code of Conduct is one of the outcomes of an ISSAI gap analysis done in 2011, where *Rigsrevisionen's* internal audit manuals and other guidance materials were analysed to make sure that *Rigsrevisionen's* practices were in compliance with the ISSAIs. The conclusion of the gap analysis of ISSAI 30 showed that *Rigsrevisionen* was in compliance with the principles in ISSAI 30, but the rules/ethical principles were not compiled in a single document. This paved the way for the development of the Code of Conduct that provides an overview of the documents, practices and norms that were already in place at the time. All the requirements in ISSAI 30 are reflected in either the Code of Conduct or in the supporting materials. The Code of Conduct does not, however, have the same structure as the ISSAI 30.

Structure of the Code of Conduct

Rigsrevisionen's Code of Conduct is divided into four main sections: 'credibility', 'sound judgement', 'independence' and 'professionalism'. Each section contains one or several principles, which elaborate on the overall value statements.

The first section underlines the importance of *Rigsrevisionen's* credibility. The introduction to the code reads: "It is crucial for *Rigsrevisionen's* work, that we are seen as credible. This credibility is closely tied to our independence and our professionalism". The credibility is dependent on both the independence and professionalism of the organisation and the individual employee. This overarching value of credibility is therefore closely linked to section three and four about independence and professionalism.

The second section of the code focuses on the importance of sound judgement. Sound judgement is, along with credibility, overarching values for the principles mentioned in section three and four. As mentioned above, sound judgement is a key norm regulating the behaviour of employees in the Danish public sector, where civil servants are instructed to use their common sense when determining the suitable and appropriate behaviour in a given situation. This norm is based on the understanding that it is not possible to have an exhaustive set of rules that covers every situation. It is therefore necessary that civil servants adhere not only to rules, but also use their sound judgement.

The third section of the code lists four principles within the area of independence. The four principles deal with: 'The auditor's independence and capacity', 'rotation', 'sideline business', and 'gifts and services'. The four principles are elaborated in different ways. The principle 'The auditor's independence and capacity' is based on provisions in the Auditor General's Act and Instruction for the Auditor General. The provisions in these two documents are identical with the Danish Public Administrations Act (that applies to all public sector employees). The principle on 'rotation', states that employees cannot audit the same institution or ministry for more than 7 consecutive years. This principle aims to prevent employees or managers from developing too close ties with auditee(s). The key principles and the detailed process for rotation (when, who does what, etc.) are described in a separate policy on rotation of employees and managers. The principle on 'side-line business' is elaborated in a separate document with guidance regulating employees' and managers' side-line business. The principle on 'gifts and services' states, that employees are not allowed to accept gifts or services doing so will affect their independence. This principle is a direct reflection of the provisions in the Danish guideline on Good Practice in Public Administration. *Rigsrevisionen* has developed a separate document highlighting the key principles for this topic.

The fourth section of the code lists four principles within the area of professionalism. The four principles deal with: 'Using auditing standards', 'competences', 'rotation' and 'confidentiality'. The principle 'using auditing standards' states that *Rigsrevisionen's* employees must conduct their audit in accordance with *Rigsrevisionen's* auditing standards and guidelines (reference to these are included in the CoC). *Rigsrevisionen's* internal auditing manuals are aligned with the ISSAIs. The principle 'competences' states that *Rigsrevisionen* is responsible for ensuring that the employees have the necessary competences to carry out their work. Employees are required to seek competence development where and when necessary. There is no direct reference to supporting materials, but *Rigsrevisionen's* competence development program is described in detail in other internal documents. The principle 'rotation' states that rotation (besides from ensuring independence, as described above) ensures that employees keep their competences sharp and have a multi-faceted approach to auditing. The principle 'confidentiality' makes reference to the principle on confidentiality that is regulated in Danish criminal law. A statement of compliance with these provisions is signed when taking employment at *Rigsrevisionen*.

Code of ethics of the Belgian Court of Audit

by *Philippe Roland, Senior President, Belgian Court of Audit*
international@ccrek.be



Background

After adopting its mission statement in July 2004, the Court of Audit decided to draw up a strategic plan including « a formal code of ethics » with the objective of reinforcing the credibility of the Court through a formalisation of its values.

A project group was entrusted in the beginning of 2005 with the preparation, along the lines set by the General Assembly of the Court. It reviewed the existing codes, sent a questionnaire to the SAIs in the EU, analysed the literature and consulted all the services of the Court. The Court approved the final code of ethics on 18 March 2009.

Concept

From the outset, the Code of ethics was to be a statement of the values and principles which should guide the daily work of the Court. Its scope was to encompass the Court as a SAI, its members and the staff (auditors and supporting services) and deal with their professional activities. Its main source of inspiration was ISSAI 30.

The main idea was to set the values to respect within a given framework of standards in order to guarantee the reputation of the institution.

The code of ethics is not a code of deontology, which generally refers to a set of rules aiming at an adequate practice of a profession. These rules can generally be monitored by a specific body having enforcement measures at disposal. It is neither a behaviour code, which includes directives relating to positions to adopt and actions to take in concrete situations. It is neither a disciplinary code, which usually lists the possible infringements, with the corresponding sanctions, as well as the procedure to follow for establishing and punishing the infringement. Indeed, most of these aspects are already covered either by the general code for civil servants or by staff regulations.

Procedure

The project group insisted on a transparent procedure and a thorough consultation (both bottom up and top down) and a high involvement of the management and the staff. Everyone should endorse the final text.

Implementation

To ensure a successful implementation, it is vital to motivate the draft code, to review the comments, to consult all parties involved. Awareness-raising during the drawing up is also a guarantee for success (specific section on the intranet, participation, openness), as is the provision of professional training and development.

Outcome

The preamble of the Code refers directly to the mission statement of the Court which is partly included,

demonstrating the will to target the members of the Court, the auditors and the supporting staff alike.

The language used is straightforward, descriptive and general.

The values themselves are not different from ISSAI 30. Trust, confidence and credibility for the Court as an institution, integrity, independence, impartiality, confidentiality and expertise for the staff are explicitly mentioned. However, some ISSAI values remain implicit like objectivity, avoidance of conflicts of interest, professional development. On the other hand other values were added: respect and loyalty. Finally, the code of ethics does not contain specific provisions on political neutrality or the perception of these concepts, nor any sanction.

The Code of ethics is a call to commitment, to a moral commitment.

Code of Conduct of the UK National Audit Office



by Maggie McGhee, Director General, Quality Assurance, UK NAO

Maggie.McGhee@nao.gsi.org.uk

Our office has had a code of conduct in place since 1997. It covers the areas of observing our values; handling data and information; political activities; conflicts of interest; gifts, hospitality, travel and accommodation; and personal conduct. A copy of our code of conduct can be found on our *website*.

Codes of conduct or ethics exist primarily for the benefit of stakeholders. Where a robust code is in place they can have increased confidence in both the quality of work performed by a SAI, and the proper conduct of its members or staff. The content of our code is therefore informed by a number of sources and standards that our stakeholders, primarily Parliament and the public, would expect and want us to follow. These include:

- Professional ethical standards for auditors issued by the UK Financial Reporting Council (national standards more restrictive than the IESBA Code of Ethics for Professional Accountants)
- Expected behaviours for holders of public office
- Professional codes of ethics for non-audit work e.g. research ethics
- Professional codes of ethics of accountancy institutes to which staff belong; and
- Legislation (both specific to our organisation and general legislation such as anti-discrimination laws).

The code sets out values and principles, with the expectation that staff exercise judgement appropriate to the circumstances. However it is explicit about the appropriate responses to ethical issues in some cases, and also reminds staff of the need to comply with a large body of other requirements. The specific rules include:

- Expected responses to certain ethical threats that are set out in professional standards, for example those relating to potential future employment with an audited body. Parliament expects an audit by the NAO to be performed to the same professional standards as an audit of any UK private sector company.
- Removal of judgement in some subjective areas, e.g. the definition of a “token value” gift that can be accepted in the course of official duties. The perception of what is “token value” may differ from person to person, and guidance is helpful.

We believe this structured approach reflects the legal and professional duties of those working for the NAO. It aims to provide clear guidance on matters where two reasonable people could hold very different views about the appropriate course of action.

It also encourages, and in some cases mandates, the discussion or disclosure of possible ethical issues with colleagues who can provide advice. This protects individuals from taking decisions in good faith that are subsequently judged by others to be unreasonable.

Our code is reviewed and updated on an annual basis following consultation with relevant stakeholders and approval of the C&AG and Board. It is signed by all staff. Reminders to read and sign the code are supplemented by scenario-based ethics workshops, which cover various ethical dilemmas we could come across in our work.

The French «Cour des comptes» code of ethics

by Marianne Lucidi, Auditor in the French SAI

fhamdadou@ccomptes.fr



“To keep secret the content of the ruling and to act in each situation as an honourable and fair magistrate”: taken by each auditor in front of the whole court at the very beginning of his or her professional life in the French «Cour des comptes», this oath symbolizes the first personal commitment to abide by the ethical rules of the institution.

This official pledge has been enhanced by a new code of ethics, set up in 2006 and revised in 2012. As a clear framework of values and principles, it is intended to guide auditors, experts, court clerks, assistants in their daily missions. Acknowledged as a very useful tool, it has to be signed before taking up any post in the national as well as in the regional audit offices and remained available for consultation on the Intranet.

To ensure its effectiveness, two major drawbacks have been overcome: first, the risk was to give ambiguous and non-operational rules – that is why precise examples are developed, regarding gifts or invitations by auditees for instance. Another risk was to trigger an atmosphere of general suspicion which could have been detrimental to the internal organisation– that is why the code is based on trust, individual responsibility and personal discernment.

Divided in six chapters, it defines in nine pages precise but short principles regarding independence, impartiality and neutrality, mitigation of conflicts of interest, professional confidentiality and regulation of external activities.

First of all, the code describes how auditors have to avoid any situation in their professional or private life which could harm the independence or reputation of their institution. If freedom of expression is considered as a core value, the code also reminds us that each auditor has to form his or her opinion without any prejudices or biased position and by strictly respecting open debate and collegiality.

To protect the integrity of the court, auditors cannot reap benefits from their official position and are asked to decline any favour which could cast doubt on the institution. In that respect, **very precise rules have been implemented**: auditors are required to refuse any gift except those which are offered in an official visit by public authorities and if their amount does not exceed one hundred euros. Regarding invitations by auditees, they are strictly forbidden except in public sector canteens.

Regarding conflicts between professional and personal interests, they are defined in an extensive way including interests for auditors themselves but also for their family or people with whom they have or used to have professional or financial relations. In this field, clear-cut principles have been established too. Members of the institution have to wait for a three-year period before auditing an organisation or a service in which they held professional or personal interests. In case of uncertainty, they are invited to ask for advice to their president or the ethics committee¹ which is expected to play a role of counsellor. Inspired by the judicial system, senior auditors are supposed not to participate in a deliberation when personal elements can raise doubts about their impartiality. As to external activities, they have to be allowed by hierarchical authority, except volunteer work for non-profit associations.

On the major issue of confidentiality, code of ethics largely refers to the civil servant law in which

secrecy and professional discretion are deemed main obligations. In case of violation, penalties are directly provided by the penal code. Nevertheless, additional rules have been introduced in the code of ethics to avoid breach of confidentiality on social network. Auditors are, for instance, invited not to mention their affiliation to the national audit office on social media to prevent themselves from any kind of pressure.

This last example shows us that code of ethics is not a static statement of past values and principles but a framework always under process which has to evolve and adapt to new ethical issues. In France, the ethics committee¹ is in charge of identifying new potential risks and suggesting constant improvements.

¹ The ethics committee consists of four people: a president from the national audit office, an auditor from the national audit office and one from a regional audit office and an external member. They are designated for three years by the First President.

Code of Ethics of NIK's auditors

by Elżbieta Matuszewska, SAI of Poland,

Elzbieta.Matuszewska@nik.gov.pl



In 2002, during preparations to Poland's accession to the EU, two important documents were developed in NIK. The first one, entitled "*Strategy of NIK – Mission and Vision*", is a long term development programme that describes fundamental principles and values of NIK, as well as main objectives of NIK's activity. The other document - "*NIK Auditing Standards*", introduces internationally recognised auditing standards into NIK's auditing practice. A year later, "*The Code of Ethics of NIK Auditors*" was adopted, and together with the above two documents formed the general part of "*NIK Audit Manual*".

The Code is principally based on the INTOSAI Code of Ethics, but it also uses concepts from the IFAC code, as well as requirements stemming from the Polish legal regulations concerning the functioning of NIK.

In the introductory part, the Code refers to the fundamental values of NIK, namely:

- Service to society and state,
- Objectivity and impartiality,
- Openness and consistency of opinions,
- Professional ethics and perfection.

The Code of Ethics of NIK Auditors is based on the following fundamental principles:

- Integrity,
- Independence, objectivity and impartiality,
- Competence and due care,
- Professional secrecy,
- Professional behaviour.

The description of each principle contains a short definition and indicates key requirements for its application in audit practice.

In the final part of the Code, a set of questions is presented which help auditors to resolve doubts as to the application of the Code, and differentiate between ethical and unethical behaviour.

The draft of the Code was prepared by two persons from NIK's methodology unit, and, before approval, it was open for comments to all NIK employees for one month on the intranet.

After its approval by the President of NIK on 25 June 2003, the Code was included in "*NIK Audit Manual*".

Its introduction was followed by training courses, organised on two levels: training for leaders from all audit units of NIK, and training carried out by leaders for their colleagues. At the time, training in this area was also available for newly recruited auditors.

Renewal of the Code of Ethics of the State Audit Office of Hungary

By Anett Rada, Head of Human Policy
and Strategic Planning Department of the SAO of Hungary
international@asz.hu



The code of ethics, as the ISSAI 30 standard states, is: “A comprehensive statement of the values and principles which should guide the daily work of auditors.” Thus, it is a tool in the hand of the auditor that helps to decide what is right and what is wrong.

The State Audit Office of Hungary (SAO) is currently carrying out a methodological review. In relation to this process we are preparing our new Code of Ethics that will be harmonised with the ISSAI 30 as well as with the new Code of Ethics of the Hungarian civil servants.

A number of questions and discussions emerged in our organisation about the structure and the content of the new Code. Finally the SAO decided to have three separated documents.

The first document, which is the Code of Ethics itself, provides specifications of ethical values and principles.

The second separated document contains the procedures related to ethics violations. These are the procedural rules to follow when an ethics violation occurs. In this document we regulate the ethical procedures, the establishment of an ethical committee, and the consequences of ethical misconduct.

The third document is the implementation guide. It is a collection of practical information related to the Code of Ethics including the dress code, the value of a service that can be accepted, etc.

During the process of renewing the SAO’s Code of Ethics, general information sources were consulted first, such as:

- Materials relating to the subject, for example the new Act on the SAO, the new Act on the civil servants (rules, standards);
- ISSAI 30, which provided a useful basis and served as the basic document;
- The new Code of Ethics for civil servants, which was prepared by the Ministry of Public Administration and Justice. The regulations of the new Code of Ethics for civil servants were taken into consideration during the preparation of the SAO’s Code;
- The Code of Ethics of other nations. It was very useful to see how other countries are thinking about the subject and what their experience is.

The SAO also carried out external consultations with other public institutions:

- Gathering information from other public institutions’ Code of Ethics: annual reconciliation on the highest state level with the Prosecutor General, President of the Curia and the Minister of Public Administration and Justice, on integrity and fight against corruption. The Code of Ethics was also on the agenda of these events;
- Cooperation is the closest with the Supreme Court including continuous consultation about the current status of ethical codes and discussion of problematic issues.

The internal consultation and adoption process involved the following main steps:

- Internal discussions involving leaders and incorporating their recommendations;
- President's approval;
- Internal consultation involving the whole SAO staff. A period of one month was available for commenting on the draft Code of Ethics. The comments were reviewed and considered by the organisational unit in charge of the Code and sent to the President for approval.

Regulations related to ethics in Italy: a mixed model

by Raffaele Squitieri, President, Court of Audit of Italy

ufficio.relazioni.internazionali@corteconti.it



During 2013 and at the beginning of 2014 the public administrations have been involved in the implementation of the new Anti-Corruption rules introduced by the Law n. 190/2012 and by some legislative decrees issued in 2012 and 2013.

The most important innovations are represented by the approval of the National Anti-Corruption Plan by the Government (in September 2013) as well as the obligation, for each public administration, to approve a three-year plan for the prevention of corruption and to appoint a manager responsible for the corruption prevention.

In the framework of the new Anti-Corruption laws, the Codes of Ethics in public administrations have gained particular relevance. Consequently, the Decree n.62/2013 of the President of the Republic has been approved; it contains the new code of ethics for public employees, except for the magistrates which have to make reference to the codes of ethics in a self-regulatory system.

As for the ethics in the Corte dei Conti (as indicated in the answers to the survey of 2013) there is a "mixed model": on one side, we find the rules of conduct for the magistracy body (a specific code of ethics approved by the association of magistrates of the Corte dei Conti in a self-regulatory system), on the other side, the rules for administrative staff (the new code of ethics for public employees issued the 5th November 2013).

As regards the evaluation of the conduct, the "mixed model" provides that the magistrates shall be assessed by the Council of Presidency of the Corte dei Conti (self-governing body of the Institution) while the administrative personnel shall be assessed by the Secretary General, who is a magistrate responsible for the administrative structure.

The staff training on ethics is very important. In fact, many specific training courses have been organised by the competent office of the Corte dei Conti and in cooperation with the Public Administration National School.

Lastly, it should be highlighted that the new rules on administrative transparency have considerably influenced the behaviour of the Corte dei Conti personnel, due to the obligation to publish, on the website, many documents, data and information on the activities carried out by the institution and to give greater attention to the users of this website.

According to the new provisions on corruption prevention, it can be affirmed that the Corte dei Conti has increased the carefulness towards an overall improvement of the ethics of its employees. This reflects the need to keep a high level of attention to the behaviour of magistrates and administrative employees since the Corte dei Conti is recognised as an institution of great prestige for its capacity to play an exemplary role and to be an ethical point of reference within the Italian public institutions.

Setting up a Code of Ethics

By Nomi Avraham, Director of Training and Information Center,
Office of the State Comptroller and Ombudsman, State of Israel
sco@mevaker.gov.il



Effective and trustworthy state audit must be based upon values of ethics and integrity in three concentric circles:

- a. Organisational ethics of the SAI: The actions of the SAI must reflect complete objectivity so that its reports will be perceived by the public as impartial reports, based solely on professional analysis of an independent trustworthy body. Therefore, as a fundamental principle, the SAI must be non-dependent on the audited bodies in all aspects, including manpower, budget, salary, discipline, and infrastructure.
- b. Professional ethics of the employees: In their on-going working relationships with the audited entities, the SAI's auditors must conduct themselves with integrity, objectivity and competence. In other words, the auditors should keep in mind that every day they too are being examined under a "magnifying glass".
- c. Personal ethics of the auditors in their private lives as citizens.

For many years the Office of the State Comptroller and Ombudsman of Israel has been aware of the issue of ethical dilemmas facing its employees. In 2008 there was an attempt made to prepare an ethical code for the office. For various reasons the project was discontinued after the initial phase.

In 2011, a representative of the office participated in the ASOSAI seminar on "*How to Integrate Ethics and Integrity into the Practices of an SAI*". In the end of that seminar, each participant undertook the commitment to promote the issue of ethics in his or her organisation.

Since that time, the office has raised the awareness of the importance of the subject of ethics within the organisation through lectures on the topic within many different forums, including courses for new and veteran employees, to managers at various levels and at various meetings. As part of these lectures, the employees were asked to consider ethical dilemmas they encounter while working for the office. Consequently, managers and employees became more aware of the necessity of a code of ethics specific to the organisation.

Less than a year ago, the office held a seminar on ethics for upper management at the Israeli Center for Ethics. At the conclusion of the session, the State Comptroller and Ombudsman decided to initiate the process of creating a Code of Ethics for the organisation.

Several weeks ago, the office released a tender for a consultant to develop a Code of Ethics and implement it in the organisation. The process itself will begin in another month or two.

The concept underlying this process is the selection of a Steering Committee from all levels of the office – from the different sectors (auditing, Ombudsman and administration) and from all employee levels, as well as a Union representative.

After the consultant carries out a survey among employees to examine the awareness and need for a code of ethics, he will work with the Steering Committee on writing a draft of the code. This draft will be presented to all the employees (in small groups) and will be discussed by them. At the end of this round, the original draft will be corrected integrating the employees' comments and the organisation's code of

ethics will be finalised.

Also, a mechanism to maintain awareness of the code of ethics and of on-going ethical behaviour in the organisation will be established.

The entire process is due to conclude within about a year and a half.

The organisation's code of ethics will be based partially on the code of ethics of INTOSAI and will be adapted to reflect the unique organisational environment and the special structure of this office which includes the National Ombudsman.

Guiding ethics: how to address ethical dilemmas

Ethical dilemmas and how to address them

By Fabrice Mercade, Head of Cabinet, European Court of Auditors

euraud@eca.europa.eu



This article is based on the presentation I gave on the same subject during the EUROSAI seminar “Enhancing Ethics within Supreme Audit Institutions”, that was held in Lisbon in January 2014, and is only a very succinct overview of the difficult subject of ethical dilemmas. For anyone interested in deepening their knowledge in this field, I would recommend the following reading: “How good people make tough choices: resolving the dilemmas of ethical living” by R. M. Kidder and “Ethics matters – Practical Micro-Ethics for civil servants of the European Union” by P. Giusta.

Ethical dilemma or “moral temptation”?

Solving ethical dilemmas can be quite difficult, as they appear when two values enter into conflict and you have to choose between them. The question is then “how do I make the right choice?” The key question before trying to solve an ethical dilemma is to be certain that you are confronted with one. Indeed there is often confusion between an ethical dilemma and what Kidder calls a “moral temptation”.

An ethical dilemma occurs when you have to make a decision where both solutions/options are legal, i.e. do not infringe any rules and are not contrary to ethics. Here you are facing a “right-versus-right” situation, where two courses of action are possible, but you can’t do both and your decision has consequences that you will have to “live” with. This is an ethical dilemma, or a right-versus-right choice.

If one of your solutions/options implies that you infringe a rule or law or that is contrary to ethics, you will find yourself facing a “moral temptation”, the right-versus-wrong situation (“wrong” meaning illegal or unethical) and not an ethical dilemma.

In the public sector of SAIs what is compliant with law and rules can vary substantially between countries as legislation can be different. Ascertaining what is ethical, which is at least partly linked to cultural backgrounds and social perceptions, can be even more difficult. Therefore, identifying whether you are facing a situation of ethical dilemma or an instance of “moral temptation” may not always be easy. A good example of this is how the legislation on conflicts of interest can vary from one SAI/country to another. However, the fact that a civil servant finds him/herself in a situation of conflict of interest and does not signal it to the hierarchy is at the very least contrary to ethics, even if it is not ruled out by national legislation. Nevertheless it should be considered a “moral temptation” rather than an ethical dilemma.

The “right versus wrong” tests

Although there is in principle no justification for not following rules and not knowing them, it is often much more difficult to identify whether one of the possible courses of actions is contrary to ethics. There are however indicators to show you that you might be facing a “moral temptation” rather than an ethical dilemma. The following four questions will help to establish that you are probably NOT facing an ethical dilemma (and also test the “soundness” of your decision and personal integrity):

- “Do I infringe any law or established rule?” (compliance test)
- “Can I live with the decision I’m taking?” (mirror test)
- “Am I willing to read about this in the news or tell my family?” (publicity test)

- “What if everybody acted as me?” (Kantian test)

Ethical dilemma paradigms

Ethical dilemmas generally correspond to one or more paradigms composed of pairs of conflicting values where only one can be respected in a given situation. The four main paradigms are (caution: examples below are kept very simple on purpose and may not be applicable depending on legal requirements in some organisations. For the same reasons direct audit work related examples have been discarded):

- *Truth versus Loyalty*: honesty or integrity versus commitment, responsibility or promise-keeping. Example: Your spouse is chief editor of a newspaper that regularly covers public spending issues and regularly asks you if there is anything “*interesting*” going on at the SAI you work for. If the information requested is not covered by professional secrecy (which you cannot divulge -> moral temptation) you would have to choose between either staying loyal to your institution and not revealing information (*loyalty*) or sharing it (*truth*).
- *Self versus Community*: “*us*” versus “*them*” or “*self*” versus “*the others*” or the smaller group versus the larger group. The above example also could apply here as you would have to choose between your institution (*self*) and the public at large who has the right to know (*community*).
- *Short-term versus Long-term*: immediate needs run counter to future goals, the “*now*” versus “*then*”. Example: You have conducted a series of interviews to fill a vacant position in your organisation. All candidates are good in some aspects and bad in others. No one is ideal. Your choice will have to be between hiring the suboptimal candidate now (*short-term*) and ensure that work deadlines can be met or restart the hiring procedure and hopefully find a better candidate in the future (*long-term*) meaning this could increase the workload of other colleagues until then (which also makes this situation a self-versus-community dilemma).
- *Justice versus Mercy*: fairness and an even-handed application of rules conflict with compassion and empathy. Example: Your boss smokes in the office despite the ban on smoking. If the institution does not impose an obligation to denounce staff smoking, you would have to choose between denouncing him/her as there is a smoking ban rule (*justice*) or give him/her a second chance as you know how hard it is to try to quit smoking (*mercy*).

The above examples may appear as everyday situations, or management decisions, which of course they are. Considering them from the ethical perspective, i.e. trying to answer the question: “*What is right?*” does not change the nature of the situations; it just adds a different, richer perspective, helping you to identify the values at stake, and provide you and the organisation with more tools to make the “*good*” decision.

How to address the dilemmas and solve them

In ethical dilemmas, both options are generally based on good arguments, although only one option/solution can be chosen. After analysing the dilemmas based on the values that are opposed (the paradigms above) it is necessary to find a suitable solution and make a decision. Therefore you need to identify the criterion according to which you are going to weigh the values in order to determine the prevailing one. There are three suggested principles of decision making:

- *Utilitarian thinking* (or end-based) suggests doing whatever produces the greatest good for the greatest number of people. We then follow what we consider to be our duty, unless the

consequences seem unacceptable to us.

- *Deontological thinking* (or rule-based) suggests following your highest sense of principle by asking yourself: “if everyone followed the rule of action I am following, would that create the greatest good?”. By doing so you want to set a standard where everyone faced with a similar situation would act in the same way.
- *Care-based thinking* suggests that you do to others what you would like them to do to you.

The following *four-step approach* tries to guide the person faced with an ethical dilemma in finding the most “*right*” solution among all the possible “*right*” ones.

1. *Identify the ethical dilemma*: Make sure that you are facing an ethical dilemma and not a “*moral temptation*”. Identify whose dilemma it is and which values are conflicting in that particular situation.
2. *What is your immediate reaction?*: When faced with a dilemma, every one of us has a gut feeling on what should be done, based on his/her experience and background. It is however essential, to come to the right choice, not to act based on this first “*instinct*” reaction but to explain your reasons for it.
3. *Compare your position with others*: Who else is involved? Recognise the different opposing views (if any) and explore the arguments raised (principles, value judgements). The varying positions enrich the perspective and allow you either to maintain your original assumption or to come to a different solution.
4. *Which solution?*: Adopt a course of action and implement the decision taken, not omitting how you will address the subsisting opposite views. It is also very important to evaluate your decision. If the decision process is successful it could be used again in the future.

Ethical dilemmas occur in our everyday personal and professional lives. In both instances, it is essential to distinguish the “*right-versus-right*” from the “*right-versus-wrong*” situations. Having to decide whether to infringe a rule or break ethics is a different issue from having to choose one between two perfectly legal and ethical courses of action. The two situations should not be confused and this article provides elements on how to avoid this confusion.

In the environment of public audit, we are often faced with difficult choices where values conflict with each other. Whatever decision we take, we will have to acknowledge that they are the result of a choice based on reflection, respect of values and a desire to improve the ethical culture of an institution or organisation.

Examples of ethical dilemmas that may be faced in our day-to-day work

Secretary General of the European Court of Auditors
euraud@eca.europa.eu



[References are to the Ethical Guidelines – This list is not exhaustive]

1. Trust, confidence and credibility

[Ref: 1.2 and 1.3] A senior colleague and I have just concluded inspections on mission; the national authorities have requested and expect the usual wrap-up meeting, for which we have time. My colleague is unwilling to agree to their request owing to a perceived slight on their part to the audit team. I try to persuade him that it is in our professional interest and in line with the Court's audit procedures to do so. If unsuccessful, I advise him that I must contact our Head of Unit for instructions, and act accordingly.

2. Integrity and care in the performance of duties

[Ref: 2.1] I have recently taken over responsibility for an audit area and carry out my first audit visit to the Commission Directorate. When I request access to files relating to the management of the budget area, as notified in the letter announcing the mission, this is refused on the basis that my predecessor always accepted photocopies of the requested documents prepared for him. I explain that this was not in accordance with accepted professional audit practice and ask to speak to a more senior member of staff. I inform my hierarchy of the matter.

[Ref: 2.1] The Audit Planning Memorandum has recently been approved by the Chamber and two repeat missions to Member States were dropped from the audit schedule, against the wishes of the Head of Unit. As team leader, I am asked by the Head of Unit to go ahead with the missions anyway. I explain to him that this has not been authorised by the Chamber, and I inform the Director of the matter.

[Ref: 2.1] Having discussed the results of an audit mission with me, my team leader asks me to maintain a critical finding in the audit papers despite the absence of evidence. He argues that there is no problem, as the auditee will have an opportunity to refute the criticism in response to the statement of preliminary findings or during the contradictory procedure. I try to persuade him that this is in not in accordance with the Court's audit standards. If unsuccessful, I advise him that I must contact our Head of Unit.

[Ref: 2.1] While serving on an EPSO selection board on behalf of the institution, I receive written representations from my senior management favouring one of the candidates in the competition. The candidate, who is working at the Court, also pays me a visit to discuss his application. I state clearly to the candidate that I am prohibited from discussing the selection procedure and disclose the matter to the selection board members, with the intention of forwarding to EPSO both the letter and a note on the candidate's approach to me.

[Ref: 2.1] A new colleague in my unit informs me that she is seriously over budget on a preliminary study she was assigned to carry out. She is aware that some staff charge over budget days to DAS work, regardless of the task, and asks for my advice. I help her identify why she is over budget and arrange a meeting for her with the Head of Unit to sort out the problem.

[Ref: 2.2] Together with a senior colleague, I am participating in a series of one-day missions to Commission Directorates to carry out financial audit work. Although the work is completed by early afternoon, my colleague wishes to delay returning to Luxembourg so that he can benefit from an increased daily allowance. I ask him to reconsider and I leave on time. I enter the correct time the work was completed in my mission declaration.

3. Independence, objectivity and impartiality

[Ref: 3.1] During the audit process, I obtain information (before it becomes public) that a major project is to take place in an underdeveloped region of a Member State; as a result, the price of land is expected to increase. I will refrain from purchasing land in that area or advising my relatives to do so. I also refrain from talking about the matter to anyone not related to the audit.

[Ref: 3.2] I am in charge of auditing the management of a European programme and my work results in specific observations on one country. Before the report, I am contacted by an official of the country concerned working in the Permanent Representation in Brussels who tries to scale down the importance of the observations and influence the drafting of the report. I inform my superior.

[Ref: 3.2] During an on-the-spot audit visit to a beneficiary of EU funds, I am asked to sign a declaration that I will not reveal any details whatsoever concerning the beneficiary's activities to any entity without the beneficiary's written consent. The beneficiary explains that this is required to protect important industrial and commercial intellectual property, and that all visitors to the site sign such declarations. I decline to sign the declaration and explain my rights and duties under the Treaty – adding that relevant audit findings will be reported to the competent authorities.

[Ref: 3.3] As a member of a political party, I am invited to participate in one of its working groups. I check that the subject has no connection with the EU budget and that the time spent on this activity will not impinge on my work at the Court. Having followed the Court procedure for reporting external activities, I accept the invitation.

[Ref: 3.3] Having been elected to my local municipal council, I am invited by the mayor to manage a programme receiving EU support from various funds. I decline the invitation.

[Ref: 3.3] I am an auditor in the cooperation for development policy area. I have been invited to sit on the Management Board of an NGO which receives a substantial amount in EU development support. I decline the invitation.

[Ref: 3.4 and 4.2] As the auditor of the Commission's DG Administration I am asked by a colleague from the Court's Secretariat-General to obtain information on their work procedures and methods, which will be used to help develop new administrative practices for the Court. I inform my superior, provide the initial contact information and introduce my colleague to the proper officials. I do not directly examine any information received from the DG and do not plan to use any such information as part of my audit.

[Ref: 3.4] I have been assigned to a team in charge of auditing an Agency in which my brother is working as an assistant doing clerical work. I check with him and conclude that he will not have any role in the audit. I inform my superior and carry out the audit. I avoid talking to my brother about the audit.

[Ref: 3.4] I have been assigned to a team in charge of auditing an Agency; my sister chairs the Agency's Governing Board. I inform my superior and ask to be removed from the task.

[Ref: 3.4] I have been assigned to a team in charge of auditing an Agency. A close friend of mine is Head of Unit in the Agency. I inform my superior. We discuss and conclude that the audit should not normally involve the Unit headed by my friend. I can carry out the audit, but I remain attentive in case my friend becomes required to play a role in the audit. I avoid talking to my friend about the audit.

[Ref: 3.4] I am auditing a Small and Medium Enterprise in receipt of EU aid which manufactures and sells art and craftwork. The owner sees that I am interested in a unique piece of sculpture and offers it to me at a reduced price. I decline but offer to buy it only at full price and on an "arms-length" basis. I ask and keep the invoice of the purchase.

[Ref: 3.5] I have been auditing the same programme for more than 7 years. Next year I will qualify for the compulsory mobility exercise. I talk to my Head of Unit and start looking for a post.

[Ref: 3.6] I have been assigned to a team in charge of auditing the mission costs of the European Parliament. Two years ago, before joining the Court, I was responsible for authorising mission costs at

the Parliament. I inform my superior and ask to be removed from the task.

[Ref: 3.6] I have been assigned to a team in charge of auditing the implementation of a Common Market Organisation in my country. Before joining the Court I worked as a financial officer in a regional department of the Ministry of Agriculture. I inform my superior. We discuss and conclude that the audit will not involve the department in which I worked. I can carry out the audit.

[Ref: 3.6] I am auditing a private company receiving EU funds. The Director offers me a position that interests me. I inform my superior. We conclude that, since my audit observations on the company had already been made and communicated and that I will not be involved in further reporting, there is no possibility that the job offer will influence my audit work. I accept the position.

[Ref: 3.6] I am auditing the implementation of an EU social fund programme by a large municipality. During the wrap-up meeting with the responsible authorities, I am approached by the Director of the programme, who offers me a well-paid advisory position in the municipality. I inform my superior; we conclude that there was an intention to influence my work. I decline the offer.

[Ref: 3.7] I envisage working for a private company during my free time on a part-time basis. When I discuss the working conditions, I realise that I will be obliged to work at night. I conclude that I will have too little time to rest and will be unable to cope with my workload at the Court. I do not take the job.

[Ref: 3.8 and 3.9] We are inspecting a farm. The owner invites the audit team for lunch in the canteen. We accept the lunch and include it in the declaration of mission costs.

[Ref: 3.8 and 3.9] I am auditing a project on-the-spot in a very remote location (no hotels in the vicinity) and the auditee provides lodging free of charge. I accept the hospitality and include it in the declaration of mission costs.

[Ref: 3.8 and 3.9] We are auditing development aid in a third country. The national authorities invite the audit team and some officials from the Commission's delegation in the country to a reception followed by a dinner in the hotel restaurant. We accept the invitation and include it in the declaration of mission costs. After the dinner, the accounting officer of one of the programmes that I am auditing invites me to a bar as his guest. I decline his invitation.

[Ref: 3.8 and 3.9] I am responsible for the Court's Missions Office, which has a contract for the services of a travel agency. Just before a new call for tenders is published, as the existing contract is coming to an end, the travel agency invites all of its corporate clients to an evening event at one of Luxembourg's Michelin-starred restaurants to launch a new product. I decline the invitation.

[Ref: 3.8 and 3.9] During Christmas, the Director of an Agency that I am auditing sends me a book as a gift. I inform my superior; we conclude that, as the book costs less than 150 euro, I can accept the gift.

[Ref: 3.8 and 3.9] After an audit mission, the national authorities send me a book as a gift. I inform my superior; we conclude that the book costs more than 150 euro. I give the book to the Court's official responsible for institutional presents and inform the national authorities.

4. Professional secrecy

[Ref: 4.2] During an audit mission I am approached by a representative of a local political and social organisation; she invites me to participate in a meeting to present the results of the on-going audit. I decline the invitation and explain to her that this will only be possible once the report is published.

[Ref: 4.2 and 7.6] During an audit mission I am approached by a journalist seeking an interview about the results of the on-going audit. I decline the invitation.

[Ref: 4.2] I am auditing a beneficiary of EU funds. During the audit, the beneficiary asks me to let him know the conclusions of the audit work. I decline, explaining that this is only possible within the framework of the Court's procedures.

[Ref: 4.2 and 7.5] After audit work for a special report has been finalised, but before the official publication of the report, an NGO active in the relevant policy area approaches me asking for a briefing on the results of the audit to help them prepare an up-to-date position paper. I refuse and refer them to the release date for the report and the corresponding press conference.

[Ref: 4.2] During an audit mission I am approached by a representative of a local university; she invites me to give an evening presentation to some students on the Court and the main recommendations of the last Annual Report. The presentation is to take place after working hours. I inform my superior; we conclude that it will not impinge on my work. I accept, and during my presentation I make it clear that I am giving my personal opinions.

5. Competence and further professional training

[Ref: 5.1] During an audit I am asked by my team leader to verify the cereals stocktaking of a farm. The cereals are stored in a big pile in the farmyard. I inform my team leader that I do not have the necessary skills to measure the pile and verify the stocktaking.

[Ref: 5.2] As Head of Unit, when programming missions for my Unit I always take into account, as far as possible, my staff's professional training schedule in the interest of the service.

[Ref: 5.2] When discussing my COMPASS report with my superior, I always point out the areas in which I would like to improve my skills.

6. An excellent and efficient organisation

[Ref: 6.2] I have been promoted to Director of my Chamber. This implies that next year I will be evaluating my spouse's COMPASS report. I meet with the Human Resources Director to discuss the possibility of appointing a different reviewing appraiser for my spouse.

[Ref: 6.3] During a working meeting one colleague shouts at another and behaves discourteously. I ask for a short break in the meeting and talk privately to the individual, asking him to reconsider his attitude and act in a respectful and constructive manner

[Ref: 6.6] My team leader asks me to ignore some key evidence collected during an audit mission. I discuss the matter with my superiors.

[Ref: 6.6] I am on mission in a Member State where I do not speak the language. My colleague, who speaks the language and is leading the audit, refuses to inform me of the outcome of the meetings and the nature of the responses received to audit questions. I ask him in private if I could be more involved in the audit process. If there is no improvement in the situation, I discuss the matter with my superior on our return from the mission.

Assigning responsibilities for ethics management: the integrity actors

A never ending commitment

By Gert Jönsson, Deputy Auditor General, Swedish National Audit Office
int@riksrevisionen.se



Developing a brand new code of ethics can be exciting and engaging work. It often meets people's need for intellectual challenges and it triggers debate amongst both managers and auditors.

However, an even greater challenge is to implement the code and maintain sustainable focus on it. This requires long-term commitment and measures that are perhaps less exciting. Keeping people on their toes and aware of ethical threats and challenges requires constant attention. Initial implementation through awareness-raising and training is just a first step. Even more crucial are all the activities needed to maintain a continuous focus on ethics.

Such activities may consist of on-going awareness-raising and training, control and further development. It is important to make a correct and clear decision on responsibilities for such activities already when setting the code. This is also the decision we made at the Swedish NAO when our new code was established. For example, we decided that the HR Department should be the primary administrator of our CoE, in cooperation with the Legal Department, but also that those responsibilities should aim at supporting the line organisation, which should be accountable for ethics as part of daily operations.

Setting up a specific committee is a solution often debated with respect to ethics. There are different ideas about what an ethics committee should do and be responsible for. Perceptions range from the ethics committee just being in charge of developing and implementing the code, to a committee with full and continuous responsibility for every task involving ethics within the SAI. There may be environments where a specific committee could be useful when it comes to emphasising ethics and creating maximum awareness. Of course, an ethics committee could carry out development work, awareness-raising, training, control, etc. and of course the committee could hear and make decisions on individual cases of possible infringement of the code.

Establishing an ethics committee was also an option we had in the Swedish NAO. However, there is reason to sound a note of warning concerning attempts to reallocate the line organisation's responsibilities to a body entirely separate from the operative departments and regular administrative support functions (such as HR, Legal, etc.). It was important to us that the primary responsibility for the day-to-day ethical issues stayed with the line managers. Given that line managers accept the fundamental premise that ethics is the cornerstone of all SAI's operations, there must be exceptional circumstances to justify the removal of responsibilities for such fundamental issues from line managers to a separate body such as an ethics committee.

That would reduce line managers' liability and increase the risk of their not paying full attention to ethics issues. Line managers are usually well positioned for keeping their ears to the ground. They should have full responsibility for prevention and action in situations where ethics are challenged. They must of course be able to seek expert assistance from the HR and Legal Departments.

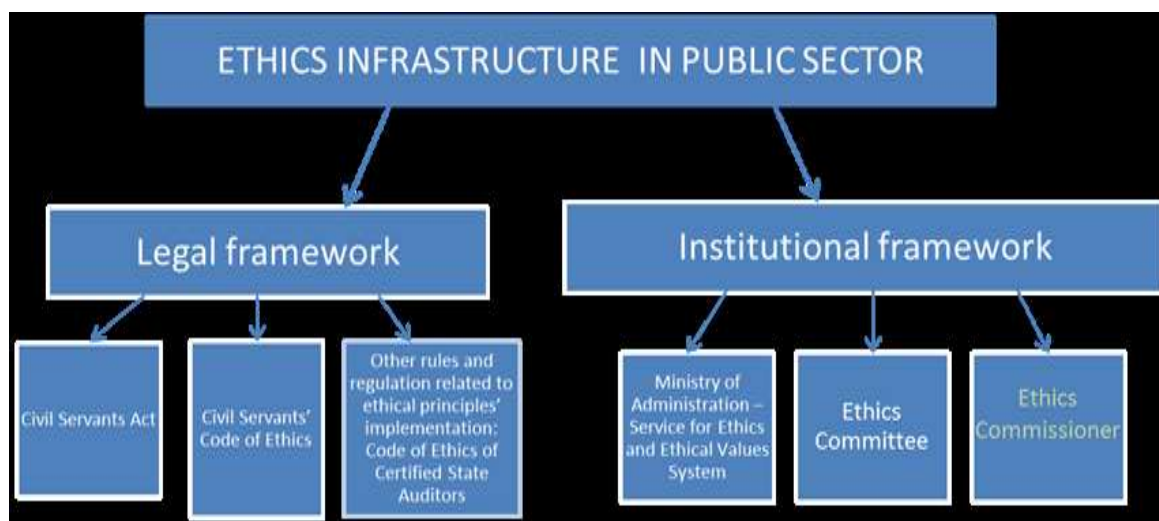
Ethics Commissioner Concept within the Croatian Audit Office

By Lidija Pernar, Assistant Auditor General,
State Audit Office of the Republic of Croatia
revizija@revizija.hr



In each country, state auditors should implement the highest ethical principles: in their mutual relations, relations with citizens, relations to work as well as in relations to their institution, so that they could, through their official duties, preserve personal integrity, integrity of institution and citizens' confidence in public services. At the same time, state auditors as well as other civil servants, have the right to be protected from all types of (unethical) behaviour that represent violation of their dignity and cause fear or hostile, demeaning and insulting environment. To ensure that right in a proper way, the concept of Ethics Commissioner was developed within Croatian public sector.

The Ethics Commissioner concept was introduced in 2011 and was regulated by Civil Servants' Code of Ethics, which establishes rules of civil servants' behaviour and ethical principles as a basis for civil servants' conduct during performance of official duties. As such, it is part of the entire ethics concept for the public sector and represents one of main elements of the ethics infrastructure (picture 1).



Picture 1. Ethics infrastructure in Croatian public sector

Appointment and responsibilities of the Ethics Commissioner

According to the Code of Ethics for Civil Servants, the head of each public body (including the State Audit Office) shall appoint an Ethics Commissioner, with the purpose to increase accountability of public servants for ethical principles' implementation and to promote ethical behaviour in mutual relations between civil servants within each institution as well as in relations between civil servants and citizens.

The Ethics Commissioner shall be appointed out of civil servants not fined for violation of official duties. Decision on the appointment shall be submitted to the Ministry of Administration, as the central body in charge of civil servants' affairs, within 15 days since the day of appointment. Depending on size and

organisation of institution, it is possible to appoint more than one Ethics Commissioner. Also, in a case when the Ethics Commissioner is absent for a long time, the head of the institution can appoint a deputy Ethics Commissioner. Upon his/her appointment, the Ethics Commissioner shall complete a special training programme organised by the Ministry of Administration, including theoretical and practical parts.

Besides promoting ethical behaviour, the Ethics Commissioner collects complaints from civil servants (for the SAI case, auditors and other employees), citizens, legal persons (auditees) but also anonymous persons (in written or oral form, by free phone line or by e-mail), keeps records on collected complaints and conducts proceeding of examination on the merit of complaints.

Procedure of examination on merit of complaints

Within 30 days of receiving a complaint, the Commissioner shall collect evidence whether indications are true and justified. After that, he/she prepares a report for the head of institution on the conducted procedure, with the proposal on taking appropriate measures and activities. During the procedure, the Ethics Commissioner shall:

- a) Ask for a written statement from the civil servant who is matter of complaint and from other servants, who have direct knowledge of the contents of the complaint
- b) Ask for the reports of the relevant institutions, in case of suspicion of criminal activities
- c) Take other actions necessary to determine the facts.

The head of the institution shall reply to complainant in 60 days' term informing on the undertaken actions. In the case when the complainant is not satisfied with the reply, he/she has the right to complain to an independent Ethics Committee within 30 days.

Ethic Commissioner's protection

The Code of Ethics for Civil Servants envisages two types of protection for Ethics Commissioners. Firstly, an Ethics Commissioner is protected in his/her duties from being held responsible or suffering any disadvantage in relation to other civil servants. Therefore, the head of the institution shall release the Ethics Commissioner on his/her request from performing his/her regular duties during examination of the merit of complaints. Secondly, in case of unethical behaviour of other civil servants towards an Ethics Commissioner, he/she can submit a complaint and inform the Ethics Committee. This Committee shall reply to the Ethics Commissioner within 60 days and inform the head of the institution about the case.

Ethics Committee

The Ethics Committee is an independent body for promoting ethical principles and standards in public sector. It consists of six members appointed by the Government for a four years term (three members from the ranks of civil servants, two from the ranks of the trade union, and one NGO representative). Besides the already mentioned tasks, the Ethics Committee:

- Replies to complaints of citizens and legal entities when they didn't get an answer from the Ethics Commissioner within 60 days or in the case when complainants are not satisfied with the response
- Conducts procedures of examination on merit of complaints about Ethics Commissioner's behaviour, heads of institutions' behaviour when they are civil servants and also of complaints from Ethics Commissioners about unethical behaviour of other employees towards him/her
- Gives opinion about implementation of ethical principles and standards; and
- Monitors implementation of regulations on civil servants' behaviour, proposing changes and

amendments when necessary.

Results and perception - conclusion

In two years of existence, the Ethics Commissioner appointed in the State Audit Office collected only two complaints: one related to misunderstanding between an SAI's employee and his/her superior and the other one related to misunderstanding between audit team members. Both cases were solved successfully on satisfaction of both sides and without submission of complaint to the Ethics Committee, while the role played by the Ethics Commissioner was positively accepted among employees.

Based on its own experience, on experience of other public entities and on observations made during performance of audits, the State Audit Office considers that the Ethics Commissioner concept was successfully introduced into the public sector and that the existence and role of the Ethics Commissioners are useful and justified.

However, taking into consideration that this is a relatively new concept, it is still in an adjustment stage. Therefore, the State Audit Office considered that there is room for improvement in the following areas:

- Ethics Commissioners' workload
- Professional education and training
- Cooperation between Commissioners from different institutions (for instance, by exchanging experiences and interactively discussing ethical dilemmas)
- Development of internal training models that promote and encourage employees' ethical behaviour.

Finally, there is room for development on this new specialised profession within the public sector.

The Ethics Committee in the Romanian Court of Accounts

By Joana Boboc, Director, and Corneliu Cornea, Public External Auditor

Romanian Court of Accounts

rei@rcc.ro



The Romanian Court of Accounts (RCoA) represents an autonomous, central specialised authority, regulated by the IV Heading of the Romanian Constitution, revised and republished in 2003, and the Law 94/1992 - on the organisation and functioning of the Court of Accounts, republished.

According to the articles 57 and 58 letter J) of Law 94/1992, the Plenum approves The Code of Ethical and Professional Conduct of the Court of Accounts staff, hereinafter referred to as "Code". This regulation contains the norms of professional conduct and the principles that have to be met by the members of the Plenum, the external public auditors, the civil servant and the contractual staff of the RCoA.

In 2010 the Plenum decided to establish the *Ethics Committee* (EC) under its authority, as an important tool for management in order to:

- Control and monitor the ethical conduct of the auditors
- Prevent or identify the possible breaches of the Code's provisions
- Identify the areas and provisions of the Code where improvements are needed
- Raise awareness on ethics and integrity in the organisation

Some of the main reasons for setting up the EC and not having a person to deal with ethics and integrity issues were:

- The RCoA has a complex structure, with central and local offices (42 counties), with more than 950 auditors
- The existing ethical and integrity issues and dilemmas are different at central and local level
- The need of a highly specialised structure (tool) to offer guidance and promote actively the ethical behaviour in RCoA
- The large variety of responsibilities to be carried out (monitoring, counselling, reporting, training, evaluating, raising awareness on ethical issues etc.)
- Many documents and information's on ethical issues to deal with

The EC has 7 members as follows: 2 external public auditors from the central and territorial structures holding managerial position, 3 external public auditors, with executive functions, 1 counsellor of the President of the RCoA and 1 legal counsellor from the Legal Department. The members of the EC are appointed by the Plenum for a 3 years mandate, and for a maximum of 2 mandates. The EC meets monthly in an ordinary session and, whenever is necessary, in extraordinary sessions. The auditors elected to the EC must have an impeccable reputation, an honest behaviour, at least 5 years' experience in the position of external public auditor, and noted "very good" in the last 3 years professional evaluations.

According to the Chart of the EC, that is an Annex to the Code, the EC:

- Monitors the compliance with ethical standards and informs permanently the Plenum on this issue, through reports, notes, briefings etc.

- Fulfils the role of ethical counsellor and offers guidance on ethics (dilemmas, ethical behaviour, conflict of interest etc.)
- Promotes actively the ethical behaviour in RCoA
- Raises the awareness on ethics in the organisation (trainings, papers, brochures, self-assessments etc.)
- Reports on integrity issues, such as the conflict of interest situations and breaches of the Codes' provisions.

The main tools used by the EC for controlling ethical aspects are:

- The Independence Statement (IS) filled out by the external public auditors for each audit mission
- Reports of the directors on ethical issues sent to the EC on a monthly basis
- Interest and Wealth Statements (filled out annually by the auditors, according to Law nr.176/2010)
- Reports of the Disciplinary Commissions, set up by the President of the RCoA to investigate and sanction breaches of the ethical and professional provisions
- Notifications sent by auditors or any other persons (ex. whistle-blowers)
- Surveys on ethics and integrity (questionnaires) launched internally or sent to the audited entities.

The controlling and monitoring activity of the EC on ethics and integrity issues, using the above mentioned documents, are reflected in quarterly basis reports, which highlight any ethical or integrity issue (IS and the monthly reports of the directors on ethics), reports, notes, briefings and evaluations, as a result of analysing different relevant documents (ex. interest statements), notifications (internal or external on misconduct) and an annual activity report, that are all sent to the Plenum.

The EC managed to have a fruitful activity in the last 2 years, with great contributions in revising the Code (that was been adopted in February 2013). So, in the last version of the Code, the conflict of interest is better defined, according to the OECD best practice; a connection was made between the Independence and the Interest statements, according to the Law 176/2010 (National Integrity Agency), in order to declare close relatives having contracts with audited public entities and to avoid conflict of interests. Additionally, the anticorruption provisions in the code were strengthened by including provisions that sanction the use of public office for personal gains, offering consultancy services to audited entities or recommending someone for contracting services with the audited public entities in order to obtain money, goods or other benefits.

Some other results of the EC activity can be mentioned as follows: the auditors were determined to be more transparent in declaring different aspects that can affect independence, objectivity and impartiality in fulfilling their duties in audit missions; in case of possible conflict of interests the auditors are usually replaced from the audit missions; the communication between the auditors and the EC was intensified regarding ethical issues and dilemmas (guidance role of EC). Also, some notifications from the auditors on possible breaches of the code's provisions (ethical and integrity issues) were received by the EC.

In conclusion, the Plenum takes very seriously the reports of the EC and the proposals made and support all its initiatives and, in the near future, the EC intends to organise a survey on the auditors' perception regarding the EC activity.

The Ethics Committee of the Federal Court of Accounts- Brazil



By Walton Alencar Rodrigues, Minister in the Federal Court of Accounts
min-war@tcu.gov.br

Background

Even before ISSAI 30 was issued, the Federal Court of Accounts – Brazil (TCU) had already published its Norm nº 304, of June 8, 1998, creating a committee with the purpose of producing standards regarding the conduct and ethics of its employees. This Norm stated that, without prejudice to the INTOSAI Code of Ethics, it was necessary to *“issue a regulation that would apply to TCU’s employees, in face of the specificities of the country’s legislation and the particular structure and composition of the Court”*.

Once the committee was formed, a comprehensive study was undertaken. The study required consulting codes of ethics and other norms from different institutions, peers and non-peers. Among them: Office of the Auditor General of Canada (OAG), Australian National Audit Office (ANAO), International Federation of Accountants (IFAC), Institute of Internal Auditors (IIA), Public Ethics Committee of the Presidency of the Republic of Brazil (CEP), Brazilian Federal Accounting Council (CFC) and Federal Supreme Court (STF). The committee presented a draft of the code, which was submitted to public consultation and was finally approved in 2009 as the Code of Ethics of the employees of the Federal Court of Accounts. The Code of Ethics is published in the internet portal of the Court.

The code is also applicable to individuals who, although part of another institution, deliver services or develop any kind of activity within the Court, whether of a permanent, temporary or exceptional nature and even if there is no financial compensation paid by the Court.

The Ethics Committee (CET)

Since the beginning of the comparative study, the need for creating a specific unit to manage ethics in the Court and implement the code became clear. According to the studies such unit should be created in the form of an Ethics Committee.

Thus, article 2 of the Code of Ethics established, in its item 6, that one of the objectives of the code is to offer, by means of the Ethics Committee, a consulting body aiming at answering questions regarding conformity of conduct of public servants with the principles and standards of conduct contained in the code. Therefore, article 10 of the code, in the chapter that deals with ethics management, established the creation of the CET with the purpose of implementing and managing the code.

The CET would be composed of three members, and the respective alternates, all of whom must be tenured public employees, nominated by the President of the Court, chosen among employees who were never the object of disciplinary action or criminal convictions. In order to regulate the Committee created by the Code of Ethics, Norm nº 271, of November 30, 2010, was published. It deals with the composition and functioning of the CET. It was determined that the three members would be chosen one from the office of the President (the CET is presided over by the President of TCU), one from the office of the Minister who has been in the Court for the longest time, and one from the office of the Public Prosecutor General within the Court (MP/TCU). This composition is based on the qualification required of the public servant in order to occupy special appointment positions in the Court. The norm requires that CET members have a high level of ethical conduct in addition to requiring that members

have never been the object of disciplinary actions nor criminal convictions.

CET is a permanent collegiate body of a pedagogical and consulting nature. CET works on demand, by holding meetings called by its President or any of its members, with the purpose of examining issues that are addressed to it regarding the conduct of Court employees. Minutes of the meetings are produced containing the results of the deliberations. Although it is a consulting body, the CET carries out other functions, such as investigation, and the Committee may *“request from employee (...) information regarding personal relations, status of assets, economic activities (...).”*

Aiming at disseminating the Code of Ethics of its employees, the Committee gives lectures during the training program designed for new employees showing how the Committee works and presenting the Code of Ethics for TCU employees. This guideline attempts to broaden the perception of Court employees with regard to the existence, functions and mandates of the Committee, a fundamental action in order to disseminate the Code of Ethics and ensure its full enforcement. In 2014, we will conclude the studies that are being carried out to devise a communication and dissemination plan of the Code of Ethics and of the mandates of the Ethics Committee. This is a way of enforcing the provisions of item 1, article 3 of Norm nº 271/2010 which states that it is the responsibility of the CET to *“create an efficient system of information, education, follow-up and evaluation of results of ethics management in the Court.”*

There are also proposals suggesting for the improvement of the Code of Ethics and suggesting that the President of TCU, based on a proposal by the CET, define a system regarding how the Committee will express itself about the conformity of conduct of employees with the principles and standards of the Code of Ethics (article 7). The proposal must list the procedure for sending the Committee’s opinion to the Internal Affairs Officer, as well as the other measures to be adopted in case the Committee identifies a violation of the Code.

Ethics in the National Audit Office of Lithuania

By Albina Radzevičiūtė, Director of Legal and Personnel Department

Lithuanian NAO

nao@vkontrole.lt



In the National Audit Office of Lithuania (NAOL) institutional ethics is regulated mainly by the Law on National Audit Office, Law on Civil Service, Law on the Adjustment of Public and Private Interests in the Civil Service, Code of Conduct of Civil Servants (approved by the Government), INTOSAI Code of Ethics, Code of Institutional Ethics of NAOL Officers, Financial and Regularity Audit Manual and Rules for Public Audit Organisation, Quality Assurance and Control (approved by the Auditor General). It should be regarded that officers of NAOL shall be civil servants.

The basic principles of ethics for civil servants' conduct shall be as follows: respect for an individual person and the State, justice, selflessness, propriety, impartiality, responsibility, publicity, and exemplariness.

Code of Institutional Ethics of NAOL Officers determines: the institutional ethics requirements for NAOL officers, civil servants and employees relating to public audit; the professional principles of ethics; requirements applied to NAOL officers, their obligations in and outside the office, as well as relationship among NAOL officers. In June 2013 a new version of the Code of Institutional Ethics of NAOL Officers was approved by the Auditor General. In order to ensure the publicity and transparency of the Code it is posted on the NAOL internet site and also sent to the Chief Official Ethics Commission.

Every applicant/ NAOL officer must submit: private interests' declaration; irreproachable reputation compliance declaration (previous convictions, misconduct, breach of oath or affirmation, violation of the Law on the Adjustment of Public and Private Interests in the Civil Service, membership in banned organisation); obligation to follow the Code of Institutional Ethics of NAOL Officers; impartiality and independence declaration.

Prevention of institutional ethics violations of NAOL officers is implemented by several measures: identification of declared or possible conflict of interest; consultations with Compliance Officer of NAOL on implementation of requirements of the Law on the Adjustment of Public and Private Interests in the Civil Service; fulfilment of written preliminary recommendations of the representative authorised by the head of institution specifying the decisions from the preparation, consideration or passing whereof he must exclude himself; recommendations of Ethics Commission to NAOL officer under consideration and the Auditor General; recommendation of the head of Department on removal; voluntary exam on Code of Institutional Ethics of NAOL Officers.

Procedure for considering violations of institutional ethics of NAOL officers is established by the Auditor General. All infringements are considered by the standing Ethics Commission of NAOL established by the Auditor General.

Mainly three types of responsibilities are entrusted to the Ethics Commission – investigation, advice and reporting.

The Commission consists of the Chairman, Vice-Chairman and five members. Members of the

Commission must be of irreproachable reputation, as well as competent officers or civil servants of NAOL.

Cooperation with the Chief Official Ethics Commission is performed successfully and in good faith. Staff of the Chief Official Ethics Commission consults NAOL staff on declaration of private interests and institutional ethics norms. Information about all infringements and decisions of Ethics Commission of NAOL are presented to the Chief Official Ethics Commission. Irregularities of institutional ethics or adjustment of public and private interests, resulting from audit, are presented to the Chief Official Ethics Commission.

Ethics Commission of the State Audit Office of the Republic of Latvia

By Mrs Ilma Zālīte, Head of Human Resources Unit

SAO of Latvia

lrvk@lrvk.gov.lv



The State Audit Office has carefully and consistently been working over the recent years to attain that its opinion on all the audit work and every activity is heard and listened to. But to achieve this, it has been a strategic and vital step for the supreme audit institution of Latvia to itself develop as a strong and respected institution.

The quality management and audit quality control systems established within the office are the key elements of our institution's operation, however the precondition and principle of our work has always been that our main values - honesty, effectiveness and transparency are not only words that have been included within our strategy, but these values and highest moral standards have been the essence of our office and the basis of our everyday fulfilment of duties.

There are two main elements of the ethics management within the SAO of Latvia – the set of particular ethical norms itself and the mechanism for its supervision; accordingly the two internal legal acts:

- Code of Ethics of the State Audit Office; and
- Regulation on the Ethics Commission of the State Audit Office.

The Ethics Commission (Commission) is established in order to strengthen norms of professional ethics and to facilitate activities of the officials and employees of the State Audit Office in accordance with the requirements of the Code of Ethics. The objective of the Commission is to review complaints in respect of the actions of the State Audit Office employees. Decisions of the Ethics Commission carry advisory character to the Auditor General.

Composition of the Ethics Commission is approved annually by the Council of the State Audit Office and Chairman of the Ethics Commission is appointed from among the members of the Ethics Commission. In practice the Commission is formed from representatives of different units of the office e.g. Human Resources, Audit department, Legal department and any other, thus facilitating the diversity of the views and minimizing the risk of the interest to make any eventual decision in favour of any of the colleague.

An essential element of the ethics management in the SAO of Latvia is the accessibility of the Ethics Commission – this means that, as set out by the regulation, an application or complaint can be submitted to the Commission by an employee of the State Audit Office, a representative of the audited entity, a representative of another state or local authority institution or any other person whose interests have been directly infringed by the actions of the State Audit Office employee, however all the regulation in this regard is publically available on the webpage of the SAO of Latvia.

In the event of inviting the person submitting complaint and the employee being complained on to the meeting of the Commission, they have the right to give explanations and express their opinion as well as invite to the meeting of the Ethics Commission one trustee of their own choice. Responding to the demand of the respective employee, Ethics Commission shall ensure hearing out of the employee at a

different time.

The State Audit Office is proud that since the establishment of the current regulation in 2006, there has been no case when the Commission has had to take a decision to bring an action further to the employee's offence of norms of behaviour during the fulfilment of his or her professional duties. Therefore, also this is one of the reasons, why it is obvious that the Commission focuses not only on particular applications or complaints submitted, but is also of a capacity to sense the eventually sentient ethical issues within the office or in the general society. Thus the Commission also works as a preventive warning mechanism raising the particular issues among the office well ahead of time it could become a real issue for any of the SAO's employees.

Although establishment, to our mind, of a good regulation and supervision of ethical issues within the State Audit Office is needful and forms a logical part of the internal legal acts, it is however our strong belief that no regulation or mechanism can force anybody to change himself; high moral standards and ethical norms should be a natural part of each person's individuality, the essence of his or her humanity and the way of thinking. Only in such case the persons' behaviour will truly match the established ethical framework of the organisation. Therefore we all as representatives of the supreme audit institutions shall work towards complete and perfect reinvigoration of these qualities in all our institutions and in each of us individually regardless the interpretation of one or another regulation.

Code of Ethics in BPK: Roles and Functions of the Honorary Council, Secretariat General and Principal Inspectorate



By Erwin Miftah, Head of Internal Unit, and Nizam Burhanuddin,
Director of Legal Department, SAI of Indonesia
international@bpk.go.id

Why The BPK has specific ethics units

BPK, the SAI of Indonesia, has a strong mandate from the constitution to audit state management and financial report with *independence*. To ensure that, BPK has a code of ethics containing norms to be adhered by Board Members and auditors on duty to preserve BPK's dignity, image and credibility in high level.

For legal, credibility and best practice reasons, BPK has established particular units to uphold that code of ethics. These units are part of a fraud control system (FCS) that BPK has adopted. This system covers all controls to prevent, detect and investigate fraud as well as maintaining integrity. The FCS has 10 elements: integrated anti-fraud policy, structure responsibility, fraud risk awareness, employee awareness, stakeholder awareness, fraud reporting system, whistle-blower protection, investigation standard, external notification and code of conduct and discipline.

One of elements of the system, as mentioned, is structure responsibility. This means that in order to strengthen integrity and anti-fraud policy, BPK has set some units to be responsible. These units are the honorary council and principal inspectorate.

Using the particular units to handle code of ethics enforcement has some advantages. Firstly, BPK is more accountable since BPK honorary council report to the Board and conduct its duty based on our law. Secondly, this unit is more independent since it comprises external parties (academician and professional) and has due process that maintains its independency. The final advantage is clear process of misconduct handling. Related parties can rely on their expectation to the unit. On the other hand, the traditional organisation structure of the audit office cannot accommodate those advantages due to reactive approach, being busy with audit workload and credibility concern. Traditionally, the SAI formed an *ad hoc* team to handle misconduct only when it occurred. But this approach doesn't prevent unethical behaviour that could happen within a SAI and this would lead to inappropriate respond and breach of SAI's credibility.

Units involved in ethics management

There are several units involved in dealing with the code of ethics: the Board, the Honorary Council, the Secretariat General and the Principal Inspectorate. They have different roles in dealing with ethics and integrity.

The Board, governing the SAI, has preventive and enforcement roles. The Board makes regulations and implements them. It also decides on sanctions to persons who behave unethically, based on the Council's recommendations.

The Secretary General is the highest rank officer for administration of BPK. It has the same roles of the Board, mainly dealing with employees' discipline.

The Principle Inspectorate, responsible for internal audit, has preventive, detective and investigative roles. It is entrusted with disseminating the code of ethics, strengthen integrity, facilitating ethics training, providing a whistleblowing system and also investigating any suspected misconduct.

The Honorary Council has an investigative role through a tribunal procedure.

The Honorary Council

The Honorary Council is responsible for investigations related to the compliance of the code of ethics. It conducts investigations related to unethical behaviour of Board members, auditors and supporting staff and reports to the Board about the results. The Council is not allowed to disclose identity of any case rapporteur or any information gathered. It has authority to assign teams to gather evidence, summon related persons regarding ethics cases (rapporteurs, witnesses and reported persons), decides on the cases and recommends sanctions where necessary.

The council has 5 members, 2 from BPK and 3 from external parties (2 from academician and 1 from professional organisations), appointed by the Board.

Conclusion

Assigning particular units to handle code of ethics' implementation and violation is necessary and has some benefits including more accountability, clear process, increased credibility and public trust. The nature of the SAI and its environment are considerable factors to set up this kind of unit. For example, in BPK case, we have more than one unit to handle ethics and integrity. This is a part of our strategy to be more accountable, on one hand, and to send signals that we are serious when misconduct occurs, on the other hand.

ISSAI 30 should include general provisions about institutional responsibilities and tasks for ethics units. These units are important to remedy violations (enforcement) but also to encourage prevention and detection of unethical behaviour.

A Model Practice in Extending Ethical Culture in Public Sector of Turkey

By Yaşar UZUN, Principal Auditor in the Turkish Court of Accounts

int.relations@sayistay.gov.tr



The Council of Ethics for Public Service was established in 2004, pursuant to the Law no. 5176, in order to develop ethical culture and ethical management in a systematic manner in Turkey. The main duties and responsibilities of the Council can be summarised as follow:

- To determine the code of ethics to be abided by the public officials in the performance of their duties
- To hold examinations on claims that the code of ethics has been violated by a senior public official with a minimum rank of general manager or equivalent
- To develop activities in order to establish an ethical culture within the public sector

The Chairman and members of the Council are elected and assigned for a four year period by the Council of Ministers. At least one member of the Council should be elected out of those who are retired members of the Turkish Court of Accounts (TCA), which allows the professional knowledge and experience gained in the TCA to be reflected in the decisions and works of the Council.

Main activities of the Council

A) Related to the establishment of an ethical culture: the Council developed and updated an “Ethics Guide” on the code of ethics to be abided by the public officials in the performance of their duties. The Council also promotes the development of ethical climate in public organisations by organising *Ethical Leadership Programs*, carrying out trainings for trainers on ethics as well as trainings and seminars on ethics upon the requests of public bodies.

The Council regularly organises activities for the “the ethics week” on 25-31 May every year. On the occasion of this week, the Council prepares brochures and booklets and dispatches them to the governorships and central public entities. The Council also organises numerous symposiums and conferences with the aim of developing the ethical culture and raising awareness in this respect.

B) Investigative activities: Upon request, the Council examines alleged violations of the code of ethics by the public officials who serve as general manager or at a similar position in the public entities and makes a decision as to whether the code of ethics was, in fact, violated.

C) Concerning the code of ethics: The Council determines the code of ethics to be abided by the public officials; provides guidance in developing the code of ethics for professional staff (auditors, education and health officials etc.) of the public entities; carries out works to determine the scope of the ban of receiving gifts; adopts resolutions, when deemed necessary, on the ethical issues and communicates them to the governorships and relevant public entities; carries out works to determine the principles and procedures to follow in the delivery of public services; meets the advisory opinion demands of the public entities on the ethical issues; reviews and approves the codes of ethics prepared by the public entities.

D) Project activities: The Council carried out several projects and has on-going projects in order to

develop and extend ethical culture in the public sector:

- Project on needs assessment for the Public Ethics Commissions (completed)
- Project on *“Ethics for the Prevention of Corruption in Turkey”*, which aimed at contributing to the prevention of corruption in Turkey in accordance with the European standards and other international standards, through the implementation and extension of the code of conduct and the development of anti-corruption measures (completed)
- Project on *“Consolidating Ethics in the Public Sector”* for effective implementation of the code of ethics in the public sector and promotion of the ethical culture by the Ethics Commissions in their respective entities (on-going).
- Project *“Fostering Cooperation among NGOs, Public and Private Sectors for Ethics”* (on preparation phase)

Relations of the Council With the Turkish Court of Accounts (TCA)

Through its audit work, the TCA promotes the development of the trust placed in the use of public power and strengthens and extends the principle of accountability in public finance management.

The TCA seconds auditors to the Council of Ethics for Public Service in order to ensure that TCA's professional knowledge and experience are reflected on the decisions and activities of this Council. These auditors took part in the preparation of the code of ethics to be abided by the audit officials in the public entities and also contributed to the preparation of the code of ethics to be abided by the auditors of the TCA.

The auditors assigned to the Council will contribute to some other important issues such as the development of the ethical management strategy of the TCA and to the preparation of future projects on ethics and ethics training to be held in the TCA.

The legislation prepared by the Council is already taken into consideration by auditors in their audit work.

Additionally, the TCA takes part as *“stakeholder”* in the projects jointly executed by the Turkish Council of Ethics for Public Service and the Council of Europe.

Currently, there are some important areas where the Council of Ethics for Public Service and the TCA can work together:

- The Council and the TCA hold workshops on ethics-based issues with a view to creating awareness and contributing to the development of new methods and perspectives
- The Council can provide training programs for the ethics trainers of the TCA.
- The Council, with the support of the TCA, can carry out activities in order to popularise the *“IntoSaint model”* in the public entities.
- The Council can notify the TCA about the issues that are found likely to be related to the *“public loss”* as a result of its investigations and the TCA can ensure that these issues are taken into account in the audits.

The web address of the Turkish Council of Ethics for Public Service is <http://www.etik.gov.tr>
e-mail for contact : etikkurul@basbakanlik.gov.tr

Managing ethics: including integrity in human resources policies

Integrity and ethics in recruitment processes of the SAI of Estonia



*By Annela Vaga, Consultant to Human Resources Manager
NAO of Estonia
riigikontroll@riigikontroll.ee*

For the SAI of Estonia it is essential to recruit staff who behaves in an ethical manner. In the start of our recruitment process we try to compile a comprehensive job vacancy profile, which is the basis of our recruitment process. Our objective is to make very clear which skills, knowledge and attitudes we are looking for in our new auditor.

The recruitment of audit staff is public. The recruitment advertisements are published in newspapers and likewise the information about the recruitment is available on the public service website of Estonia. General public recruitment of civil servants is mandatory by law. In addition to publishing information about recruitment in newspapers and on the public service website, we spread our job advertisement in special recruitment websites, in university career websites and special mailing lists. All this together ensures that everyone who considers herself/himself to be a suitable candidate for the vacant position can apply.

Inevitably the method of interview is part of the selection process of a new employee. During an interview two issues are always discussed: Republic of Estonia and ethics. Answering to broader questions about Estonia as a state we let the candidate to express her/his mentality and views regarding Estonia, its public sector and state governance. Questions about solving ethical dilemmas more precisely let candidates to describe their behaviour during ethical dilemmas and give us a good insight into their attitudes.

During the selection process and during communication with candidates we always recommend them to read information about our office and our published audits on our website. On the website there are also two documents, which are very important in terms of integrity – the list of the core values of the SAI of Estonia with explanations and our code of ethics. Information is public and available to all interested parties.

More specific information about a candidate and her/his behaviour in the context of integrity is collected during the process of background check. Our practice is to make short phone interviews with the previous managers or colleagues of a candidate. Though the quality or honesty of the information obtained in that way may be doubted, we are not questioning its quality because of the small size of our country. The public sector is sufficiently small for finding out how ethical the candidate has been in her/his previous posts.

Recruitment process and its relation to ethical code



By *Miloslav Kala, President*

SAO of Czech Republic

sylva.mullerova@nku.cz

The recruitment process in the Czech Supreme Audit Office consists of three stages:

1. Selection of suitable candidates by evaluating initial materials
2. Interview with selected candidate focused on evaluation of his professional skills
3. Psychodiagnostics: evaluation of personal qualities and character

At the beginning of every recruitment process the specific criteria for the vacancy in question are being set.

1. Initial selection

This stage is about collection and analysis of documents and materials obtained from candidates, i.e. CV and motivation letter. Evaluator from the HR department (further referred as “*HR evaluator*”) concentrates on fulfilment of essential requirements like legal and educational requirements for the vacancy in question which had been advertised. Managing superior (further referred as “*managing evaluator*”) concentrates on fulfilment of necessary professional skills, i.e. expert knowledge and work experience.

2. Interview

At this stage the HR evaluator and the managing evaluator analyse and evaluate the candidate’s professional skills during the specific interview which is focused on fulfilment of the following criteria: level of skills required by the competency model, development potential, motivation to work at SAI and motivation for job in question, competence and willingness to respect and share fundamental values and goals of SAI and standards of conduct of SAI employees defined in SAI ethical code.

3. Psychodiagnostics

The final stage is focused on the evaluation of candidate’s mental qualities and is carried out by a psychologist who evaluates personal, intellectual and performance abilities of a candidate. The candidate answers specific questions about his motivation to work at SAI, his attitudes to work issues and authorities, his work and ethical values are further assessed in a written test.

The results of the test are supplemented by information from the additional interview with the candidate carried out by the psychologist. When evaluating candidate’s performance at this stage, the psychologist also takes into account the fulfilment of criteria from the interview at second stage.

Ethics in performance evaluations

-Supreme Audit Office of the Slovak Republic

By Igor Ciho, Director, SAO of the Slovak Republic
igor.ciho@nku.gov.sk



The Supreme Audit Office of the Slovak Republic (SAO SR) has adopted a Code of Ethics that complies with INTOSAI Code of Ethics (ISSAI 30). Code of Ethics is a basic ethical standard of SAO SR employees and follows the rights and obligations established by generally binding legal regulations, internal regulations of SAO SR and ethical principles. Its purpose is to develop and promote the basic rules of the SAO SR employee behaviour.

The ethics internal performance evaluations are conducted on the basis of the internal *“Regulation on the Management System Careers of Employees within the SAO SR”*.

“Code of Ethics and work discipline” is one from the four areas of the employees’ assessment. Assessment of each employee is conducted by his/her superior on regular basis every year.

The assessment criteria are: the level of compliance with the Code of Ethics, obligations following from the code as well as their application at work.

The result of the evaluation could be:

- **Standard (good): Code of Ethics compliance**

Applicable when the employee meets the Code of Ethics’ requirements. Only occasionally a situation occurs in employee’s activities when the employee must be cautioned about the need to respect the Code of Ethics. The employee is aware of the risks which may arise from the Code of Ethics non-compliance and eliminates them in work. Such conduct represents positive impact on other employees. SAO SR employee is impartial, incorruptible, doesn’t abuse his/her position and doesn’t misuse the information gained during the performance of the civil service with the aim to obtain personal benefits or advantages for him/her or any related parties. The employee follows the laws and other generally binding regulations in their full extent. The employee’s behaviour to the work-fellows and clients is polite, helpful and, under any circumstance, evenly justifies also negative statements. The employee willingly and quickly eliminates possible shortcomings of less serious nature in his/her work. The employee safeguards the civil service dignity, acts honestly, fairly and according to the professional conduct principles. He/she represents a model of impartial civil service.

- **Good with reservations: some deficiency(ies) exist**

In the employee’s activities, there are shortcomings related to compliance to any requirement of the code of ethics and the employee has already been cautioned. Justified complaints by clients and work-fellows related to the employee’s behaviour were registered. The lasting improvements in this area were not achieved despite a caution. The employee needs supervision and guidance of his/her superior.

The aim of our employees’ comprehensive evaluation is to:

- Monitor their performance with regard to agreed objectives

- Improve their future performance
- Identify their education needs
- Assist the superiors in decision-making in the area of bonuses and premiums
- Identify the employees' potential and provide a feedback.

Recognition in the Spanish Court of Audit

By Enrique Álvarez Tolcheff, Technical Director in the Spanish Court of Audit
tribunalcta@tcu.es



One of the initiatives adopted by the Spanish Court of Audit in order to improve the quality of ethics management inside the Institution relates to a recognition tool.

In this matter, the Court has regulated the necessary conditions and procedure to award the *Orden del Mérito Civil* («Civil Merit Order») to civil servants and employees of the Court.

There is a long tradition of rewarding the merits of Spanish civil servants by granting them honour mentions and decorations. The idea is to recognise the services to the state throughout a life devoted to public service, as well as other special situations such as the excellent fulfilment of relevant positions.

It is a reward of moral nature, not an economic one, as the honour award does not entail a transfer or payment of money. The ceremony is chaired by the highest authority of the institution where the awardee works. All the employees are invited to attend the award ceremony contributing to create a solemn atmosphere and to support the awardee.

There are several decorations which can be granted, depending on many factors. The Court of Audit awards the *Orden del Mérito Civil* and also the *Orden de San Raimundo de Peñafort* to those civil servants working at the Trial Section of the Court.

The recent decision adopted by the Court refers to the 1) temporal requirements for awarding the *Orden del Mérito Civil*, 2) the request procedure and 3) the awards ceremony.

The award is granted to retiring civil servants with a minimum of 35 years of service, the last 15 of which within the Court of Audit. The award can also be granted to civil servants included in special situations, such as those who carry out jobs of special dedication or responsibility for at least 9 years (the directors of the Court) or those who have provided outstanding services to the Court and fairly deserve the award.

The Ruling Committee examines the award proposal submitted by the member of the board and head of the department in which the civil servant works. The proposal will include the CV and the motivation for the proposal, stating the merits and seniority of the beneficiary and confirming that all requirements have been met. The Ruling Committee shall agree to the proposal of concession in favour of those employees of the Court of Audit considered worthy of the granting of the award. Once the concession proposal of the *Orden del Mérito Civil* has been agreed by the Ruling Committee, the President of the Court of Audit will submit it to the Minister of Foreign Affairs.

The title of the award, at the moment of the awarding, will be delivered by the President of the Court of Audit to the beneficiary, having the latter previously acquired the medal in the corresponding degree.

Tools and measures to address typical ethical problems in
SAIs

Managing conflicts of interests in the SAI of Serbia



By Radoslav Sretenović, Auditor General, and Natalija Čatović, Council Member
SAI of Serbia
lva.vasilic@dri.gov.rs

The State Audit Institution of Serbia intends to strengthen management of ethics in the institution and to give its full contribution to promoting significance of establishing ethical infrastructure in the Serbian public sector. One of the significant matters is finding ways to resolve, in the most efficient manner, detected conflicts of interests, prevention of which is very important in the fight against corruption in the Serbian public sector.

"Conflict of interest is a situation in which an official has a private interest that affects or may affect or appear as affecting the actions of the official in the conduct of public office, and/or professional duty in the manner that jeopardises public interest." (article 2, paragraph 1, Item 6 of the Anti-Corruption Agency Law). *"Private interest"* is any kind of benefit or advantage to the official or associated person (article 2, paragraph 1, Item 5 of the mentioned Law).

An official shall discharge the duties of public office in a manner that shall not subordinate the public interest to private interests (article 27, paragraph 1 of the Anti-Corruption Agency Law). During exercising the public office, the official may not use it for acquisition of any benefit or advantage for him or associated person.

One of the examples, where provisions are stated in the law regarding inconsistency of functions, is the Law on State Audit Institution. (Articles 17 and 18). Law on SAI stipulates provisions regulating limitations for discharge of office, but only for members of the Council of SAI, namely inconsistency of functions and prohibited mutual relations between the holders of office in SAI between themselves and with regard to the auditee.

So, member of the Council cannot participate and make decisions in the audit process if he/she was professionally engaged by the auditee, or performed certain tasks for the auditee, in the period of five years since the termination of such employment or termination of tasks.

Members of the Council shall not be mutual blood relatives in the first degrees of kinship, up to fourth degree in the side line, marital partners, in-laws up to second degree of kinship even when the marriage was terminated, guardian, adoptive parent, adoptive child and foster parent. Member of the Council is obliged to inform the Council in a timely manner about the mutual blood relations and such conflict of interest.

Based on Article 17 of the Law on SAI, function of the member of the Council shall not be compatible with:

- Function in government bodies, in bodies of local authority, or elected official and function in political parties or unions
- Employment in government bodies, body of local authority or with elected official
- Membership in management or supervisory board of a business company, public enterprise, fund, mandatory social insurance organisation or other legal entity with state capital participation
- Equity shares in legal entities subject to the competence of the Institution
- Performing other activities which, pursuant to the Law, are incompatible with performing public function
- Performance of other duties, which might have adverse effect on their autonomy, impartiality and social reputation, as well as on confidence and reputation of the Institution
- Performance of any other paid duties, except scientific and educational functions, only if such

duties are not in ethical contradiction with exercise of duties of member of the Council.

Members of the Council shall also be subject to obligations and prohibitions set by the law governing prevention of conflict of interest during exercise of public function. Member of the Council is required to provide the information on such matters.

In our practice, there have been cases in which a Council Member has exempted himself/herself when conflict of interest existed, because he/she has worked with the audited entity.

Declaration of independence and impartiality

By Thórir Óskarsson, Assistant Director, Icelandic NAO

thorir@rikisend.is

In 2003 the Icelandic National Audit Office (INAO) established its own Code of Conduct, based on INTOSAI Code of Ethics (ISSAI 30). The code describes INAO's core values and principles, integrity, objectivity, impartiality, political neutrality, professional secrecy and competence, and applies to all employees and other individuals working for or on behalf of the INAO who are involved in audit work.

The Auditor General is responsible for the enforcement of the Code of Conduct, but individual employees are also personally responsible for complying with it. If in doubt they can seek advice from the Office's directors.

To raise awareness on the Code of Conduct among the INAO's employees, promote their ethical behaviour and comply with ISSAI 40/ISQC-1 requirements, the INAO's two main audit departments, the Financial Audit Department and the Performance Audit Department, have recently implemented the use of written declarations of independence and impartiality. The declarations apply to every audit work performed and become a part of the audit's working papers.

In the declarations individual auditors both state the absence of any direct or indirect conflicts of interest with regard to the executive and the audited entity and promise to report to the Office if their independence is compromised. The declarations are in line with INAO's Code of Conduct and make the same demands on the INAO's employees as it does. As such, they serve as a supplement to the code and are an important part of INAO's quality control.

The INAO also plans to implement annual declarations, where all employees confirm in writing their understanding and compliance with INAO's Code of Conduct, its content and intent.

Tools for monitoring and controlling ethics in the Romanian Court of Accounts

By Joana Boboc, Director, and Corneliu Cornea, Public External Auditor
Romanian Court of Accounts

rei@rcc.ro



The main tools used by the top management of the Romanian Court of Accounts (RCoA) and by its Ethics Committee (EC) for controlling how the auditors comply with the ethics and integrity provisions of the Code of Ethical and Professional Conduct are:

- Independence Statement (IS), filled out by the external public auditors for each audit mission according to article 17 and 18 of the Code – as an internal document of RCoA;
- Interest and Wealth Statements, filled out by the auditors according to Law nr.176/2010 on National Integrity Agency– as external documents of the RCoA, used at national level, and an obligation for the dignitaries and public servants.

Independence Statement

The IS represents a necessary tool for the management in preventing and avoiding conflicts of interests, relationships with the management and staff of the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen as acting independently, use the official position of the auditors for private purposes and relationships which involve the risk of corruption or which may rise doubts about their objectivity and independence.

According to the Code, the auditors have to declare in the IS, for example, if they/their:

- Had worked in the last 24 month or had any kind of involvement, by contract, in the activity of the audited entity
- Have financial, personal or any other kind of relations with the verified entity or with persons from it, a situation that might limit their objectivity and independence in finding irregularities and weaknesses in the audit they will start at the entity
- Are indebted financially or in any other form, to the employees of the audited entity, who could thus obtain from them favours or receive special treatment during the audit
- Got a spouse or close relative up to the fourth degree, within the audited entity
- Spouse or close relative up to the first degree have contracts, including those of legal and civil assistance, consultancy obtained or running during the last 24 month with the audited entity.

As mentioned before, the auditors have to fill out an IS when they are assigned to participate to an audit mission. They can fill an IS, in completion to the initial one, in any stage of the audit mission if a new situation comes out. This document is part of the audit mission permanent file and an IS copy is sent by the auditor on e-mail to the EC, within 3 days after completion.

If an auditor mentions a specific issue in the IS, the management (directors) can decide, according to the Code, to replace immediately the auditor with another auditor, before starting the mission/or within 48 hours if the mission is already started or to let the auditor continue the audit, if they consider that the independence, objectivity and impartiality of the auditor in fulfilling his duties is not affected.

Each month the directors send a briefing to the EC, highlighting all the cases mentioned above, and the way they decided in each case. The EC makes an inventory of all these situations and informs the Plenum on a quarterly basis.

Interest and Wealth Statements

Interest and Wealth Statements (IWS) are filled out by the auditors at least once a year (till 15 of June each year) or whenever is necessary if changes occur later in its content, according to Law nr.176/2010 on National Integrity Agency.

Comparing the IS with the IWS, it has to be mentioned that IWS is not just a tool in controlling and monitoring the integrity, but rather represents, for the top management and the EC, an important source of information, that can highlight breaches of the Codes provisions, for example, regarding interdictions, conflict of interest or incompatibilities for the auditors. Also, the IWS is an external document for the RCoA, used at national level, as an obligation for the dignitaries and public servants to declare their personal interests and wealth.

According to the Law 176/2010, the auditors have to declare in the Interest Statements, if they are/have:

- Associated or shareholders in commercial companies/national companies, loan institutions, groups of economic interest, as well as member in associations, foundations or other non-governmental institutions
- Members in the management, administration and control bodies, commercial companies/national companies, loan institutions, groups of economic interest, as well as member in associations, foundations or other non-governmental institutions
- Members in the professional associations and/or unions
- Members in the management, administration and control bodies, paid or unpaid, held in political parties, position hold, and name of the political party
- Contracts including those of legal and civil assistance, consultancy, obtained or running during the time of the respective person holding the position, mandates, public dignities financed by the state budget, local or from, external funds or closed with companies with state capital, where the state is majority or minority shareholder (the auditor, the spouse or first degree relatives).

When they fill out the Wealth Statement, auditors have to declare:

- Fixed assets - lands and buildings
- Movables: vehicles/cars, tractors, farm machinery, boats, yachts and vehicles are subject to registration by law and the goods that of precious metals, jewellery, art and workshop, art collections and numismatic objects that are part of the national and universal culture heritage that summed exceed the value of 5.000 EURO
- The movables value of which exceeds 3.000 EURO each and the fixed asset acquired in the past 12 months
- Financial assets, such as: accounts and bank deposits, investment fund, equivalent forms of saving and investment, including credit cards, if all their value summed exceeds 5.000 EURO and investments, direct investments and loans granted, if their market value summed exceeds 5.000 EURO
- Debts: loans, mortgages, warranties issued for a third party, goods bought in a leasing system and other similar goods if all their value summed exceeds 5.000 EURO
- Gifts, services or benefits received free or subsidised to market value from persons, organisations, businesses, public corporations, companies/public institutions, national

- companies either Romanian or foreign, including scholarships, loans, guarantees, payments for expenses other than those of the employer if all their value summed exceeds 5.000 EURO
- Income of the declaring person and family members, completed last fiscal year ended.

At the recent revision of the Code (2013), the Plenum approved, as the result of the proposal of the EC, to make a connection between the IS and the IWS, by including in the IS the obligation for the auditors to declare, before starting an audit, if the spouse or first degree relatives have contracts including those of legal and civil assistance, consultancy, obtained or running during the last 24 month with audited public entity. According to the Code, this kind of situation represents a conflict of interest, which can affect the independence, objectivity and impartiality of the auditors in fulfilling their duties at the entity. In these cases the auditors have to be replaced from the audit missions.

Each year the EC issues a report for the Plenum as result of analysing all the Interest Statements of the auditors.

Harassment policy in the Spanish Court of Audit

By Enrique Álvarez Tolcheff, Technical Director in the Spanish Court of Audit
tribunalcta@tcu.es



The Spanish Court of Audit has recently adopted measures to prevent harassment, which contribute to improve the quality of ethics management inside the Institution. A pre-action protocol for situations of sexual harassment, harassment related to sex and harassment at work at the Court of Audit has been approved on December 2013.

With that protocol the Institution is committed to creating and/or keeping a work environment respectful of the dignity and the personal freedom. For this reason, specific measures can be taken to prevent harassment and to channel complaints or claims, if any, that might be filed by those who have undergone any type of harassment.

An Authority (OTAC, *Órgano para la Tramitación de Asuntos Confidenciales*) has been set up to deal with confidential matters. Its members are the following: the person who chairs the Equal Treatment Commission; two representatives of the Ruling Committee; a representative of the Health and Safety Committee; a representative of the Civil Servants Board; and a representative of the Employees Board. The OTAC does not act ex officio but after the filing of a complaint. Its powers are the appointment of the investigative officers of the complaint and the issue of resolutions rejecting the complaint, proposing appropriate corrective measures or promoting the corresponding case.

On situations of harassment, the pre-action protocol allows the filing of a complaint with any of the investigating officers appointed. It can be submitted by the person affected or by any other who has known about any of the acts of harassment that are described in the protocol. It will be submitted by e-mail or in person, although it cannot be anonymous.

If OTAC decides to initiate proceedings, the investigating officer will submit a report with an initial assessment to be presented to OTAC within ten calendar days since the complaint was filed.

In view of this report, OTAC will make a decision within a maximum period of fifteen calendar days. This pre-action procedure does not prevent any parallel or subsequent action of the person affected using other administrative or judicial procedures.

The protocol is available in the Intranet of the Court of Audit.

Controlling ethics: evaluation



Assessing the integrity of the SAI and introducing changes in ethical management

by Natasa Mihailova, Senior Auditor at the SAI of the former Yugoslavian Republic of Macedonia

tanja.tanesvska@dzt.gov.mk

The State Audit Office of the Republic of Macedonia (SAO) is an independent external auditor of country's public finances, established in 1997. Its mission for independent state audit contributing to the best use of public funds throughout the years has been performed in accordance with INTOSAI auditing standards and the Code of business ethics and conduct of the State Audit Office, respecting ethical values and principles.

Following current trends and challenges in the profession, SAO has recognised integrity as one of the core values for professionalism and credibility of SAIs embodied in INTOSAI Strategic Plan 2011-2016. Moreover, SAO has undertaken the initiative to test its integrity level using the IntoSAINT tool created by the Netherlands Court of Audit.

In February 2012, the IntoSAINT workshop with SAO staff was moderated by two SAO employees who have participated in the international training for IntoSAINT moderators held in Den Haag in September 2011, with valuable support of two moderators from the Office of the Auditor General of Norway. The assessment was based on the knowledge and opinion of the staff, which represents the "inner voice" of the organisation.

As a result of the workshop, recommendations were given to the management on the integrity level of SAO through the assessment of the maturity of the Integrity Control System reflected in Management Report. The management believes that the report succeeded in identifying the major weaknesses and risks to the integrity and that the recommendations given will contribute to strengthening SAO resilience to future violations of integrity. According to the management, this workshop is the first strategic step in building a systematic approach to integrity within SAO and it increases the awareness of the need to strengthen institutional integrity.

Developing Integrity policy following an integrity plan, assigning functional responsibility for integrity, establishing a notification procedure for employees to report suspected integrity violations (a "whistle blowers procedure"), periodical review of integrity system and trainings were the key recommendations.

The recommendations are integrated as goals and actions in SAO Development Strategy 2013-2017 and SAO Strategy for Human Resources Management 2013-2017.

The IntoSAINT experience in BPK- perceptions and lessons learned

By Erwin Miftah, Head of Internal Unit, and Nizam Burhanuddin,
Director of Legal Department, SAI of Indonesia
international@bpk.go.id



The SAI of Indonesia (BPK) has used IntoSAINT in 2010 and 2012 with participants from central and representative offices including auditors and non-auditors. IntoSAINT report has consistently cited that the BPK's control in integrity (as opposed to ethics violation) has been in "medium" level. It means that BPK has owned integrity control but need some improvements to be effective. One of the results concerns the unit responsible for dealing with ethics violation.

In fact, there are some difficulties concerning handling of misconduct:

- The requirement of identity disclosure of rapporteurs could decrease the participation to report suspected misconduct
- Tribunal process can be prolonged due to availability of related persons and expenses burden by related parties
- There is a need to clarify misconducts: which are violations of the code of ethics and which are violations of the employees' discipline
- The role of the council is very extensive: it deals not only with enforcement but also with disseminating and internalising the code of conduct, with conducting ethics related training and with becoming role model
- BPK should also provide alternatives for addressing conduct related concerns. Once the decision has been made that it is not appropriate to handle the suspected misconduct through the council procedures, BPK can offer alternative options:
 - Deal with the conduct through BPK performance management system if appropriate, including specifying the standard of future conduct required
 - Improve the employee's awareness of required standards of conduct such as by access to training
 - Close monitoring of, and advice/assistance on, future conduct
 - Provide appropriate counselling
 - Consider assigning new duties—however, care must be taken to ensure that this is not perceived as a de facto sanction imposed without a proper process
 - For conduct involving interpersonal issues, alternative dispute resolution approaches such as mediation or conciliation.

Ethics internal evaluation in the Bulgarian National Audit Office

By Valeriy Dimitrov, President of the NAO of Bulgaria
intrel@bulnao.government.bg



Who conducted and how

The internal evaluation of the ethical climate in the Bulgarian National Audit Office was carried out by the internal audit unit as an audit assignment in 2012. The audit engagement was conducted in accordance with IPPF Standards, as well as the Practice Guide *“Evaluating ethics-related programs and activities”*.

The audit engagement objective

The audit engagement objective was to provide an opinion on the adequacy and effectiveness of the provisions of the Code of Ethics and to identify scope for improvement.

Scope

The audit engagement covered the processes and activities in Bulgarian National Audit Office related to providing the conditions, establishment and maintenance of good ethical climate and their status in 2012.

Criteria

The following audit criteria were used:

1. Adopted a Code of Ethics, which is clear and understandable for all staff, as well as respective implementing procedures
2. Appropriate *“tone at the top”* and effective communication in place- clear position of the management on the ethical attitudes and values, that does not tolerate unethical behaviour and punish perpetrators
3. A mechanism in place which facilitate reporting of violations of the Code of Ethics, including anonymity to protect those who report wrongdoing
4. Organisational environment is set up in which the employees do not fear reprisals when reporting violation
5. Specialised training is organised for introduction and clarification of acceptable conduct, including case studies reflecting situations that staff may come across during their work and the appropriate relevant acceptable decisions to be made
6. Regular surveys of employees are carried out to determine the state of the ethical climate in the organisation
7. Clear procedure is developed to investigate and punish violations
8. Fair and appropriate punishment for unethical behaviour and other violations, regardless of the perpetrator and their dissemination.

Results

The Bulgarian National Audit Office, in compliance with ISSAI 30, Code of Ethics, has adopted a Code of Ethics, which determines ethical behaviour standards for all staff within the organisation. All employees

have signed declarations stating that they are aware of the provisions of this Code and the obligation to respect it, and that in the event of failure to respect the Code, staff will be subject to take disciplinary measures. The above-mentioned actions have laid the foundation of a good ethical climate in Bulgarian National Audit Office (BNAO).

The Code of Ethics is published on the BNAO website, thus providing an opportunity to all stakeholders to become familiar with its provisions.

An adequate mechanism for reporting, investigating and sanctioning of violations of the Code mechanism has been established in Bulgarian National Audit Office.

By the time of the internal audit engagement, formal monitoring for compliance with the provisions of the Code of Ethics has not been performed. For this reason, the audit team carried out a study to assess the ethical climate in BNAO (Attitude Review). The aim of the study was to reveal the attitudes and perceptions of BNAO employees in conjunction with ethical issues, organisational culture and principles of conduct, personal and professional ethics. The study outlined the following scope for improvement in the processes related to ethics in BNAO:

- Regular awareness raising measures for BNAO staff about the provisions of the Code of Ethics, as well as regular declaration that the employees are aware of them
- Organise specialised training for clarification of acceptable conduct among the employees of the organisation, including case studies reflecting situations that staff may come across during their work and the appropriate relevant acceptable decisions to be made
- Further clarification and promotion of the mechanism for reporting unethical behaviour and wrongdoing among BNAO staff and the auditees, including anonymously
- Clear communication and promotion of the procedure for consideration and sanction of Code of Ethics violations, including anonymous reports
- All disciplinary sanctions imposed on Bulgarian national audit office employees should be made public in the appropriate way
- Carry out periodic surveys among employees to assess the ethical climate within BNAO, as well as regular monitoring of the adequacy and efficiency of the ethics related processes in the BNAO.

Consequences

To realise the possibilities for improvement an action plan was drawn up.

The Internal Audit Unit will track and report on the adequate and effective implementation of the recommendations.

Internal audit on antifraud measures and compliance with ethical code



By Miloslav Kala, President of the SAO of Czech Republic
sylva.mullerova@nku.cz

When carrying out the standard risk analysis in 2010, the Internal Audit Department (further referred to as "IA") detected risk of fraudulent or corrupt behaviour and violation of ethical code in the management of Nejvyšší kontrolní úřad (further referred to as "SAI") with high level of significance. Based on this finding, IA launched an internal audit focused on "*screening the system preventing fraudulent or corrupt behaviour, including handling of complaints*". The audit should have assessed the effectiveness of the system and suggest recommendations for improvement.

The sources of information for this audit were analysis of relevant legal framework, analysis of relevant internal and other documentation of SAI, questionnaires and interviews with selected employees.

As regards the screening of the system preventing fraudulent or corrupt behaviour, IA concluded that the system was set up properly and worked well. The monitoring of the system also operated correctly so that indicators of unjust behaviour and abuse of power by members of SAI management, e.g. conflict of interests and biased behaviour, could be identified in time and the risk of fraudulent and corrupt behaviour would be therefore minimal. The risk was further minimised by consequential application of four eyes principle in order to eliminate subjectivity of decision-making process.

As regards the assessment of functioning of ethical code, IA concluded that all employees were familiarised with the code in a sufficient manner. The wording of the code was inspired by IISAI 30 and its concise form (8 principles) enabled it to be displayed at every workplace and in all shared areas of SAI. Newly recruited workers are informed about the code during the recruitment process. Once employed, they had to attend the entry staff training during which the code is also presented and later installed in their new offices, their superiors are obliged to make them acquainted with the code. This duty of superiors results directly from SAI internal instructions and that is the way how the employer ensures that all employees are advised of the fact that violation of ethical principles can have consequences for an employee, ranging from disciplinary charge to dismissal in serious cases.

Based on the conclusions of this audit, recommendations were made as to:

- Consider implementation of an internal information channel for employees, i.e. a tool for internal whistleblowing
- Extend the entry staff training and include the prevention and detection of fraudulent and corrupt behaviour
- Amend the system of handling external complaints.

The responsibility of supervision of adherence to the ethical code at SAI lies with managing superiors. SAI does not have any ethical unit or committee. Management of SAI is fully aware of the fact that fraudulent behaviour is, in a way, part of human nature. Therefore, the office of the SAI's President regularly monitors and evaluates obedience of employees to ethical rules.

Controlling ethics: identifying unethical behaviour

Processes to identify and assess ethical behaviours within the UK National Audit Office



by Maggie McGhee, Director General, Quality Assurance, UK NAO

Maggie.Mcghee@nao.gsi.org.uk

This document sets out how the NAO internal processes in respect of whistleblowing and client feedback help us to identify and assess compliance with ethical behaviours at both an organisational and individual level.

NAO internal whistleblowing policy

Our internal whistleblowing policy sets out the matters which are in the public interest and includes the following:

- Statement on the protection of staff under the Public Interest Disclosure Act;
- Routes inside the NAO's management structure for making a disclosure, namely to the Director of Human Resources or to the Director of Internal Audit;
- Routes outside the executive management structure to raise concerns with a nominated non-executive Board member, or alternatively where it is believed the overall management of the NAO is engaged on an improper course or where internal concerns have not been resolved to the complainant's satisfaction, to a prescribed third party; and
- Clear procedures for investigation, monitoring and reviewing concerns raised.

Where an internal whistle-blower wishes to disclose information that is not in the public interest, they are directed to the NAO's Staff Complaints procedure set out in our HR Manual.

We are unable to provide statistics surrounding internal whistle-blowers, but there is very low usage of this facility as the NAO operates an open and transparent approach and encourages staff to raise concerns (including ethical ones) to their line manager, line or People Director, our Practice and Quality team or the Human Resources service desk. We also strongly encourage timely bi-directional professional and personal feedback within the NAO, where again, any ethical issues can be identified and reported to the appropriate persons within the Office. Any issues addressed via the internal whistleblowing procedures (and via the other routes outlined above) are fully investigated and the potential wider lessons considered and disseminated across the office.

Client feedback

The NAO undertakes an annual cycle of client feedback and also participates in a wider survey of Members of Parliament. The results of the feedback processes enable issues, including ethical ones, to be identified, evaluated and handled appropriately with any learning shared across the office.

Client questionnaires

Following completion of each financial audit, the NAO sends via an online link a feedback questionnaire to the client. The questionnaires include questions on professional conduct, the added value provided by the audit process and the quality of that work.

The results are evaluated and shared with the relevant audit team. Any required actions are agreed. The results of this form part of the NAO's Annual Quality Report which is presented to the NAO's Board and Leadership Team. The process enables any ethical issues to be identified by relevant persons and action taken as appropriate.

Moderated feedback client survey

The NAO also seeks more detailed feedback from a sample of our clients which considers what our clients think about our work, our people and our impact. This sample covers approximately 10% of our clients each year. The sample is selected so that it covers a range of clients. The NAO appoints an independent research agency to conduct the feedback. The feedback is conducted through face to face interviews with senior client staff comprising the Accounting Officer, Finance Director and Audit Committee Chair. A discussion guide is followed, seeking scores for a set of standard questions. The client may see the feedback report and has the option (although rarely used) to ask for it to be anonymised. We receive a report for each client, combining the feedback from all three interviewees, and an annual compendium report which draws together scores and themes across all clients. The individual reports are shared with the client engagement team and Executive Leader who are encouraged to take action as appropriate; the compendium report is reviewed and discussed by the NAO's Leadership Team and Board.

The interviews include questions on independence, fairness, judgement, professional conduct, competence, constructive criticism and quality. The audit clients also have the opportunity to raise any other issues, including ethical ones, which concern them.

Members of Parliament Survey

Ipsos MORI (an independent UK research company) surveys approximately 100 Members of Parliament (MPs) each year. This survey considers MP's views of the NAO. The NAO receives an omnibus report of all responses, including all free-form responses. This report is considered by the NAO's Leadership Team and Board and is made available to all NAO staff.

The survey enables the Board and Leadership team to identify and act upon issues surrounding MP's (and by extension the taxpayer's) perception of the NAO's independence, objectivity, honesty, integrity and the quality of our work.

Hotline system- Board of Audit and Inspection of Korea

by Hwang Chan-Hyun, Chairman of the Board of Audit and Inspection of Korea
koreasai@korea.kr



Background and objectives

In 2011, in order to promote direct and candid communication between staff members and the Chairman, the Board of Audit and Inspection (BAI) established the Hotline within the intranet.

Whenever a BAI staff member has something to say directly and confidentially to the head of his/her organisation, (s)he is encouraged to leave a message on the Hotline, which is accessible only by the Chairman.

Examples of messages left on the Hotline

Messages delivered to the Hotline thus far can be categorised as below:

- Wish to be posted to a specific or different division (i.e., after working at one division for too many years, or when an auditee is an acquaintance/family, etc.)
- Difficulties experienced during the course of audit (i.e., illegitimate orders from superior, bribes, etc.)
- Reports on the progress of an audit (usually by managerial-level staff)
- Reports on sexual harassment at the BAI
- Miscellaneous (i.e., wish for maternal/paternal leave, personal news, etc.).

Effect

The Hotline system is considered to have been effective in improving the audit/work environment of the BAI.

By responding to each message delivered to the Hotline, the Chairman has tried to meet the requests as much as possible unless the message seems flawed or biased.

In Korean culture, it is difficult to oppose orders given by one's superiors, and/or to implicate their wrongdoings, etc. As all messages are dealt confidentially and only by the Chairman, the Hotline serves as a mechanism to hear the voices of the unheard.