HOW TO IMPLEMENT ISSAI 30 (INTOSAI CODE OF ETHICS)

Guidance for Supreme Audit Institutions

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Foreword

Supreme Audit Institutions' work aims at promoting good governance in the public sector, thus contributing to reinforce stakeholders' trust.

In order to effectively hold governments and public bodies accountable for a good use of public resources, a Supreme Audit Institution (SAI) must conduct all its activities in accordance with the fundamental principles of independence, transparency, ethics, quality and accountability. An independent and professional SAI lives the principles that it expects from the audited public sector entities, leading by example.

In this context, enhancing the ethical framework of SAIs is crucial for them to pursue their role in an effective manner. This is stressed in the main INTOSAI principles and standards, such as ISSAI 12. It is now also clearly highlighted in the recently revised ISSAI 30, endorsed by the INCOSAI 2016 at Abu Dhabi. The implementation of the revised INTOSAI Code of Ethics is now a significant challenge for SAIs.

EUROSAI established the **Task Force on Audit & Ethics (TFA&E)** as an instrument to, among other aspects, support European SAIs in promoting the relevance of ethical conduct.

In the period 2012-2014, in this specific area, the Task Force surveyed SAIs about their practices in managing ethics, analysed those practices against standards and OECD recommendations and published the paper "***Supporting SAIs to enhance their ethical infrastructure" -Parts I and II***. During 2014-2017, to implement the goal "*Promote ethics as a pillar of Supreme Audit Institutions*", the TFA&E participated very actively in the review of ISSAI 30 and presents now this document, meant as guidance for SAIs on how to implement the revised INTOSAI Code of Ethics.

The guidance now offered incorporates and completes the information included in the previous TFA&E paper, in the light of the revised ISSAI 30 and considering the needs of SAIs, as expressed in the comments to the respective exposure draft. It is meant as an open document that can be further enriched with the ideas, experiences and lessons learned by SAIs as they implement the revised standard.

The Task Force expects the information provided in this respect to be of use and interest to SAIs, particularly when considered in the context of enhancements intended in their respective ethical framework and management capabilities.

I deeply thank all the members of the Task Force for their kind contributions to enrich this document and particularly to the European Court of Auditors for coordinating the project to prepare it.

By delivering this guidance for Supreme Audit Institutions, we trust that the TFA&E strived to its purpose to be useful and innovative. We very much hope it will add value to SAIs and their leadership and staff and, consequently, to the citizens they serve.

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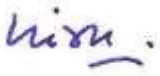

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INTRODUCTION

Lead by example

SAIs are expected to make a difference to the lives of citizens. To do so, they need to act as model organisations and lead by example. They should respect the fundamental principles relating to ethics, like ensuring appropriate transparency and accountability, providing good governance and complying with the INTOSAI Code of Ethics[1] .

Ethical values

The INTOSAI Code of Ethics (ISSAI 30) provides SAIs and the staff working for them with a set of values and principles on which to base ethical behaviour. SAIs and SAIs' staff's decisions should be driven by five fundamental ethical values[2]:

Integrity: To act honestly, reliably, in good faith and in the public interest;

Independence and objectivity: To be free from circumstances or influences that compromise, or may be seen as compromising, professional judgement, and to act in an impartial and unbiased manner;

Competence: To acquire and maintain knowledge and skills appropriate for the role, and to act in accordance with applicable standards, and with due care;

Professional behaviour: To comply with applicable laws, regulations and conventions, and to avoid any conduct that may discredit the SAI;

Confidentiality and transparency: To appropriately protect information, balancing this with the need for transparency and accountability.

Institutional perspective

ISSAI 30, as revised in 2016, challenges SAIs for a new ethical approach:

- The Code has now an *institutional* perspective: it is intended, not only for auditors, but instead, for all who work for, or on behalf of, a SAI; this includes all categories of staff and all managers.
- The Code of Ethics specifically addresses the *responsibilities of SAIs* in promoting and safeguarding ethics and ethical values.
- It is to be applied to all the existing models of SAIs - Legislative (Parliamentary), Jurisdictional (Court), or any other model (e.g. hybrid), whether the SAI is governed by a single Head or by a decision making body (e.g. a board or judges)[3].
- It differentiates between *requirements*, that SAIs and staff must

[1] ISSAI-12
[2] ISSAI-30, 9
[3] SAI-PMF, 3.3

comply with, and *application guidance*, meant as advice to implementation

Overall responsibilities of SAIs

ISSAI 30 establishes *Overall Responsibilities of SAIs* to implement ethics in their institutions[4]. These responsibilities are:

- Adopting and implementing a code of ethics and making it public
- Emphasising the importance of ethics and promoting an ethical culture
- Setting the tone at the top by the actions and example of the SAI's leadership
- Requiring the engagement of staff and external providers in ethical conduct and providing them guidance and support
- Implementing an ethics control system
- Solving conflicts between ethical requirements

Practical guidelines

This document intends to provide practical guidelines for SAI to implement ISSAI 30, including some practical tools that they can use.

References, examples and tools

Section A proposes an approach to implementing an ethics control system.

Section B identifies the main ethical issues a SAI usually faces regarding each of the components of the ethics control system and focuses on concrete alternatives and good practices available to deal with them; this section is not exhaustive and must be completed and updated regularly on the basis of the SAI's practical experience in implementing ISSAI 30.

Annex-1 lists references to good practices identified in the different areas

Annex-2 lists important attitudes and initiatives of ethics leadership

Annex-3 lists ethical dilemmas that staff may face and that should be discussed

Annex-4 includes a decision model to help individuals addressing ethical dilemmas

Annex-5 lists examples of conflicts of interests

Annex-6 includes a self-assessment checklist concerning gifts and hospitality

[4] ISSAI-30, 12

SECTION A:
APPROACH TO IMPLEMENT THE ETHICS CONTROL SYSTEM

Ethics Control System

One of the main requirements of ISSAI 30 for **SAIs** is that, to promote and safeguard ethics, they **should implement an ethics control system**.

The ethics control system is the one that includes appropriate specific strategies, policies and procedures to guide, manage and control ethical behaviour[5].

This requirement recognises that achieving a change in behaviour and building a culture of integrity needs constant and not ad hoc efforts and requires a comprehensive approach that combines several tools and measures, management processes and integrity actors into a coherent system. Establishing an organisational policy on integrity is a powerful instrument to set up that coherent system and at the same time it is the visible expression of an integrity culture (which spends time and resources in making ethics a priority) and one of the important contributes to ethical behaviour.

This type of system can be built up separately or can be included within the SAI's overall internal control system. Ultimately, it must address three main requisites:

- It needs to include specific strategies, policies and procedures applicable to ethics
- It must address all the main components: guidance, management and monitoring
- It should be well integrated into the governance of the SAI.

Components of the ethics control system

The **main components of the ethics control system** are[6]:

- **Code of ethics**
- **Leadership and tone at the top**
- **Ethics guidance**
- **Ethics management**
- **Ethics monitoring**

Ethics **guidance** is provided by statements of values and standards of behaviour, such as codes of conduct, strong commitment from leadership

[5] ISSAI-30, 13.
[6] ISSAI-30,14

and professional socialisation activities such as education, training and counselling.

Ethics **management** includes policies and practices that create conditions to ensure fair and impartial selection, promotion and remuneration and contribute to social respect.

Ethics **monitoring and control** is ensured through an effective legal framework that sets basic standards of behaviour, effective accountability mechanisms, such as internal control and external audit, enforcement procedures and transparency mechanisms providing access to public information, facilitating public involvement and scrutiny.

The TFA&E paper "***Supporting SAIs to enhance their ethical infrastructure" – Parts I and II*** and Section B and Annexes of this guideline provide several examples of policies and practices that SAIs can adopt regarding each one of these components.

As for now, we would like to identify some key principles that SAIs should keep in mind when designing their own ethics control system.

Put ethics in context: set a common understanding

In setting up the ethics control system, **the SAI must consider,** first of all**, its culture and its legal and social systems**[7].

There are different definitions and approaches to ethics depending on moral values and legal frameworks. The starting point for developing an ethical framework is to obtain a **clear and common understanding of what ethics means within the SAI**. This implies that the SAI should put ethics in its own context, taking into account cultural practices and national legislation, which might differ from country to country. This context approach will also have to include the SAI's own environment, mission and values, and identify references within its legal framework and audit standards.

Particular attention needs to be placed on setting **a clear distinction between ethical and legal obligations**, as this will have an impact on the approach to be followed when enforcing ethical behaviour (normative, prescriptive, guidance, soft-law, etc.).

It is essential to **identify the risks involved** with potential failures in the ethics control system and the necessary measures to be taken to mitigate them. Moreover, potential problems and dilemmas should be anticipated on the basis of 'real life' examples within the organisation in order to avoid abstractness. It is the responsibility of the SAI's leadership and management to ensure that the SAI's context is thoroughly scrutinized to set a common understanding and definition of ethics within the institution.

[7] ISSAI-30, 16.

Participative approach

Secondly, **the SAI must proceed in an inclusive manner**[8].

Ethics depend ultimately on the individual behaviour of the SAI's leaders and staff; it is therefore important to involve all of them, from the very beginning, in the process of setting up an ethics control system.

This will imply adopting a participative approach; for example, by launching surveys, online consultations, organising focus and working groups, carrying out an IntoSAINT workshop, etc.

To enforce ethical values, it is also essential to allow a flow of information throughout the SAI; this could be achieved with a good communication policy and by organising regular meetings with staff to discuss ethical issues.

Throughout this process, special attention must be paid to establishing an open spirit in which free and constructive discussions can take place at all levels.

Act transparently

Thirdly, **the SAI must act in a transparent manner**[9] and provide relevant information on its ethical behaviour.

A good practice is to set up a transparency portal on the internet and intranet, ensuring a proper communication flow both internally and externally. The portal should contain information on ethical behaviour (such as declarations of financial interests and the external activities of management, policies on gifts, methodologies and rules regarding the recruitment of staff, information on salary schemes, contracts with external providers, etc.). Furthermore, the portal should allow the sharing and dissemination of the information it contains.

Design the ethics control system on the basis of a well prepared organisational ethics strategy

Lastly and most importantly, SAIs must design their ethics control system based on an **overall strategy to address their specific vulnerabilities and risks.** Each SAI operates in a different environment and has a different organisational culture and functioning. Each situation may require different combinations of policies.

A structured approach that may be used to design, assess or prepare an organisational ethics policy is the self-assessment tool IntoSAINT, developed by the Netherlands Court of Audit. This tool enables SAIs to assess their vulnerability and resilience to integrity violations and results in recommendations on how to improve integrity management. These recommendations may be the basis of an action plan to build a complete and coherent organisational integrity policy.

[8] ISSAI-30, 17 and 70.a.
[9] SSAI-30, 17.

SECTION B:
ALTERNATIVES AND GOOD PRACTICES TO IMPLEMENT THE COMPONENTS OF THE ETHICS CONTROL SYSTEM

Code of ethics is a central piece of the ethics control system

1. CODE OF ETHICS[10]

The basic piece of the ethics control system is the code of ethics or/and conduct, including statements of values and standards of behaviour.

A code of ethics or/and conduct is a way of expressing the needed common understanding of what is expected. This code provides a vision, guides behaviour and promotes habits.

SAIs should have their own codes of ethics, based on ISSAI 30 requirements.

The TFA&E paper "***Supporting SAIs to enhance their ethical infrastructure" – Part II***, includes a detailed chapter about codes of ethics and codes of conduct. There, the TFA&E analyses the different types of codes that SAIs can adopt, their functions and advantages.

As mentioned there, some SAIs have chosen short codes stating the main ethical values and principles whereas other SAIs have approved very detailed codes. Usual content includes:

- Statements regarding the values and principles guiding conduct
- Descriptions of the associated expected behaviours
- Concrete examples of dilemmas and sensitive situations regarding, among others, conflicts of interests, political neutrality, as well as gifts and hospitality, and
- Provisions for dealing with misconduct

There is no ideal mix between principle and detail in ethics codes and standards of conduct. The mix is better determined by evaluating the social context and depends on which function is chosen as predominant: inspiring, guiding or regulating. Most codes combine elements of the several possible approaches. Examples can be found in the TFA&E mentioned paper and in Annex 1 to this document.

ISSAI 30 adopts an institutional approach, stating that the code is applicable to all staff of the SAI, and not to a particular profession. It should also be applicable to seconded staff and to all external experts or contractors

[10] ISSAI-30, 12(a), 15-17

conducting audit work for the SAI.

Preparing

The process of preparing the code is as important as the code itself. This process should be inclusive (involving all levels of the organisation), transparent and ensure commitment and ownership. The above mentioned TFA&E paper describes some experiences and interesting approaches to adopt when designing and reviewing a code of ethics.

Communicating

To be relevant, a code of ethics or conduct must be effectively communicated to those to whom it is targeted to. Communication is a key success factor during all the life of a code of ethics/conduct: during its preparation, during its launching and during implementation and review.

Making it public

Making the codes easily available is an important part of its communication and implementation. A code of ethics is meant to ensure credibility of the SAI and represents a commitment towards SAI's stakeholders (notably the public). ISSAI 20 and 30 require that this code is made public.

Committing

Committing to the code is also a powerful instrument to communicate it and to keep it alive. The most common means used to do it are:

- Signing declarations or making an oath taking notice of the Code of Ethics when starting functions in the SAI
- Reminders of ethical obligations on a regular basis (often annually)
- Commitment for each audit assignment

Training is used almost by all SAIs to ensure the communication of codes, thereby raising awareness on ethics and supplementing the guidance provided in the corresponding documentation.

A code is not enough

But most importantly, **having a code of ethics/conduct is not enough**. There is no ethics control system without it but there is no ethics control system at all if there are no other policies to make sure the code is implemented.

2. LEADERSHIP[11]

Leaders must provide the vision, inspiration and purpose to influence the SAI's staff to behave in an ethical manner.

Leadership is key in building an ethical culture

They should be ready to engage in ethical issues and look after any related problems.

Tone at the top

Leaders should **set the tone** by keeping the organisation's ethical values and the ethical conduct of staff and management as their key concern. This should be done by their direct example, by the standards they demand from others and by the attention and resources they allocate to the subject.

[11] ISSAI-30, 18.

Transparency

Ethical issues related to leaders must be displayed in a transparent manner internally and externally. This includes, in particular, their salaries, privileges, external activities and financial interests (as well as those of their spouses or partners). It is a **good practice** to make all these issues public in a transparency portal accessible via intranet and internet with regard to the SAI's leaders.

No conflicts of interests

In respect of leaders, special mechanisms should be established to authorise their external activities during and after their terms of office. To avoid any kind of conflict of interest, conditions for authorising external activities should be strict and should be made public. **Good practice** includes, in principle:

- No remuneration or payment of any kind (if remuneration or payment is allowed by the legislation, the rationale and amount must be displayed transparently)
- No area or matter that might conflict with their audit responsibilities or damage the reputation of the SAI, and
- No activities that might be detrimental to their ability to carry out their function
- Any authorisations in this connection should be granted by a dedicate panel or committee.

Training

Leaders and staff should participate in the ethical events and training organised by the SAI.

Specific training should also be delivered on the leadership role. **Good practice** includes ethics training on the leadership role involving practical exercises (checklists, dilemmas, concrete experiences, etc.), a specific module on ethics delivered to new leaders and a specific annual event (conference, workshop…) for leaders on ethical matters.

Reward and enforce

Other leader initiatives to promote the '*Tone at the Top'*, and place ethics on the agenda of the SAI include:

- Assigning responsibilities to ethics advisors;
- Issuing messages relating to ethical issues on the relevant knowledge-sharing platforms (the intranet, for example) whenever a new dilemma or question arises;
- Establishing measures to reward acknowledged ethical behaviour, for instance through a prize, and the possibility of participating in ethics-related training, or even making a presentation in such an event.
- Taking firm corrective action when needed, always ensuring fair hearing procedures

Special attention must also be paid to the `*Tone at the Middle'*, that is, to the

Tone at the middle

behaviour and example given to staff by their closest managers.

Middle managers have a special responsibility to facilitate a good working environment by fostering professional and personal cooperation.

They must also be available to provide guidance and support on ethical issues to the staff under their responsibility.

Annex 2 includes a list of important attitudes and initiatives that leaders should adopt to make sure ethics is a pillar in their institution, grouped in 5 main functions:

- **Ensuring a strategic approach to ethics**
- **Leading by example**
- **Managing ethically**
- **Practising an open door policy**
- **Enforcing as necessary**

3. ETHICS GUIDANCE[12]

Codes of ethics and Leadership are part of ethics guidance, referred autonomously due to its key importance. Other policies for ethics guidance are the professional socialisation activities such as education, training and counselling.

Raising awareness and training on ethics

Organising ethics events

It is essential to raise awareness on ethical issues within the organisation. An example of **good practice** in awareness would be for SAIs to organise regular events for all staff such as:

- Conferences
- Seminars
- Talks and/or other activities related to ethics, such as team building exercises, “quizzes”, integrity weeks/ or days, etc

Identifying best practices

In organising these events, it is important to ensure that lessons are learnt and best practices are identified from other experiences. To this end, it is important to:

- Keep in mind the need to introduce real tangible examples in order to avoid abstraction and prevent an “ethics fatigue” effect
- Focus on identifying best practices first in your own SAI, then in other SAIs and in the audit environment

[12] ISSAI-30, 19-20

- Find other sources of best practices in civil society (research, law, military, sports, medicine, media, etc.), public or private organisations that deal with ethical issues (national parliaments, NGOs like Transparency International, etc.).

Use intranet

Examples of **good practice** also include the dissemination of information via the SAI's intranet site. Some SAIs have set up an "ethics corner", bringing together information on this issue; others regularly disseminate news related to ethics to all staff.

Learn from others

Furthermore, it is a **good practice** to establish connections with other non-SAI organisations, allowing for the identification of other experiences in terms of the methods used to raise awareness on ethics, like:

- Contact and joint work with ethics, integrity and anticorruption agencies
- Joint workshops and meetings
- Reports and exchanges of information on resolving doubtful situations, and
- Fostering cooperation among NGOs and the public and private sectors on ethics-related issues.

Knowledge-sharing is also a **good practice**: auditors should be encouraged to participate in external events, seminars and conferences regarding ethical issues. Outside speakers might also be invited to talk to staff on ethics-related issues.

Training on ethics

Structured **training about ethics** makes SAIs and their staff more able to ascertain their integrity, identify risks and gain knowledge about how to prevent unethical conduct.

Examples of **good practice** in training include:

- Training sessions or lectures for new employees
- Training sessions or lectures for new leaders
- Periodic cycles of training sessions for all employees
- Seminars and/or workshops based on real-life situations
- Compulsory training for all staff when there is a change in the ethical framework (e.g. when a code of ethics is adopted or modified, when new policies for gifts are introduced, etc.)

In these types of training, it is also **good practice** to**:**

- Combine lectures on rules with interactive and tailor-made case studies and workshops for training on values and ethical conduct in risk situations. This approach should focus on reasoning from principles, encouraging staff to ask ethics questions and managers to include ethics in their daily work
- Explore and discuss applicable ethical principles and expected behaviour

- Discuss examples of ethical dilemmas and ways to solve them.

A separate paper of the TFA&E refers to a model to organise training on ethics.

Counselling[13]

Advice to staff

Staff of SAIs faces relevant integrity risks and strongly benefits from an established advising function.

SAIs can support staff by assigning responsibilities to a dedicated person, unit or committee to deal with ethical issues. The nomenclature employed by the SAIs in this respect varies considerably, and includes the following:

Ethics Units

- Ethics Committee
- Ethics Commissioner
- Ethics Director
- Integrity Coordinator or Officer
- Audit Counsellors or Advisers
- Ethics Partners

These responsibilities can also be assigned to an ordinary unit of the SAI, such as the Human Resources department, or may involve an external ethics counsellor, who is not employed by the SAI.

Ethics Committee

Ethics committees are composed of people who are recognised for their ethical leadership and skills. It is **good practice** to include in the committee at least one external figure who is not employed by the SAI; this increases independence and credibility.

Counselling may focus on advising staff on ethical dilemmas and difficulties. It is important to keep in mind that, considering the nature of the possible threats, it is often beneficial that the advice is provided by persons or units different from the staff's direct managers.

Ethics advisors

For this purpose, the ethical counsellors or advisors should be accessible to all staff for consultation. **Good practice** examples involve setting up a network of ethical advisors (internal and/or external to the SAIs) which cooperate in sharing experiences and identifying the best solutions for addressing SAI-specific ethical issues. For networks of ethical advisers, it is important to clearly define their role and offer adequate training on how to act and provide advice to staff.

These persons, committees or units may also fulfil a guidance role by

[13] ISSAI-30,20

Strategic advice

providing advice to leaders on policies to enhance ethical culture and management. Examples are:

- Ensuring the adequacy of policies and procedures relating to integrity, objectivity and independence
- Promoting the effectiveness of communication with senior management and staff
- Introducing preventive measures and facilitating solutions

In these cases, ethical committees should also regularly review the progress made and identify future challenges and ways to address new risks.

Control role

Experience shows that, in some cases, these type of persons or units may also have a control role. **Good practice** examples include:

- Ensuring compliance with ethical standards
- Reporting cases of conflict of interest and violations of the ethical rules; and
- Receiving, investigating and keeping records of complaints.

In some situations, the committee deals with all ethical issues that the SAI faces (including whistle-blowers, external and internal requests, authorisation of activities, etc.) and also providie answers to ethical dilemmas. SAIs should consider the potential disadvantages of concentrating in the same unit the role of guiding and advising and the role of controlling and investigating misconduct. Even apart from legal issues, this arrangement may discourage individuals from seeking advice on doubtful situations.

Ethical dilemmas

Ethics guidance includes addressing ethical dilemmas[14].

Ethical dilemma: a right-versus-right choice

An ethical dilemma is a right-versus-right choice, a situation in which a member of staff faces a decision where two or more solutions are possible and legal. Different courses of action are possible and decisions will have consequences.

Staff might also face situations where they still have doubts on the right course of action; there may be a conflict with their own moral values or they may have doubts or difficulties about the interpretation of the rule or principle applicable to the individual case. In some cases, even if the law rules the situation, there could be several interpretations on what is right or wrong. One can even imagine some cases where what is legal is not necessarily ethical.

Good practice examples for dealing with ethical dilemmas or similar

[14] ISSAI-30, 19.

How to address ethical dilemmas

situations include:

- Mentioning dilemmas in the code of conduct[15]; the dilemmas mentioned will be examples of situations that can be encountered in one's daily work;
- Producing a document describing a number of real-life situations that staff, notably auditors, may face and providing concrete guidance on the correct course of action for each situation;
- Promote regular awareness and training on how to identify and address ethical dilemmas.

A **good practice** model for individuals to address ethical dilemmas should include four main steps:

(i) Analyse the problem to assess whether it involves a right-versus-right situation (a real dilemma) or a right-versus-wrong situation (a compliance problem)
(ii) Evaluate the situation and provide a solution based on the values at stake and assess the consequences
(iii) Check whether other persons involved (management, colleagues) agree with the options identified, or see alternatives
(iv) Evaluate the real impact of the action taken and any feedback

Annex-3 list examples of common ethical dilemmas in a SAI, and

Annex-4 contains a model for individuals to address ethical dilemmas.

4. ETHICS MANAGEMENT[16]

Ethics **management** includes policies and practices that create conditions to ensure fair and impartial selection, promotion and remuneration and contribute to social respect. In fact, incorporating ethics in daily management is essential to reinforce values.

Including an ethical approach in the Human Resources (HR) management is key to promote ethical behaviour of staff, auditors in particular, and to safeguard the reputation of the SAI. To this end, a commitment to ethical values and principles should be criteria in all HR policies and procedures: recruitment, performance appraisal, and professional and career development.

[15] ISSAI-30, 16.
[16] ISSAI-30,21

Assess ethical perspective of candidates

HR management : Recruitment

As in any other domain of the public sector, but with a particular emphasis in the external audit area, recruitment for SAIs should be based on the principles of openness, publicity, equality and merit. Ethical behaviour should be considered when recruiting auditors and staff. **Good practice** examples to apply in the recruitment process include:

- Assessing candidates' reactions to ethical dilemmas during examinations and interviews
- Conducting psychological tests and examinations
- Undertaking background checks following security clearance procedures.

HR management : Professional Development

Professional development and career progression should also be based on the principles of equality and merit, with consideration to demonstrated ethical behaviour.

Include ethical criteria in appraisal and promotion

Good practice incorporates ethical criteria into the annual performance appraisal and into the promotion choices, considering, for example, the following:

- Sense of responsibility
- Integrity and professional conduct
- Personal qualities
- Conduct on and off duty, including professional ethics
- Commitment to the institution and integrity
- Active support for corporate policies; and
- Demonstration of positive professional behaviour

Equal opportunities

Another example of **good practice** is to introduce positive measures for promoting equal opportunities, including gender and disabilities' issues.

Reward

Reward and recognition policies may also be applied through ethics related awards and prizes.

Balancing Confidentiality and Transparency

The revised ISSAI 30 introduces an innovation in what regards the traditional approach to confidentiality, as an ethical value applicable to audit and SAIs.

Recognising the specificity of public sector audit, more and more influenced

Find the right balance

by the principles and expectations of transparency and public scrutiny, INTOSAI expressly states the need to balance the confidentiality of audit-related information with the imperative of transparency and accountability of SAIs towards their stakeholders, especially the public, and with the possible legal obligations of communicating specific information to authorities. Legal rights of media, lawyers and other professionals may also be at stake.

This mainly means that, now, and in ethical and practical terms, auditors and other staff need specific direction from the SAI as to know which information they should consider as confidential and which one they can or should disclose and to whom.

This is an issue where national differences may be quite significant and where SAIs have the duty to provide guidance to staff.

Guidance on confidentiality and disclosure of information

A **good practice** is to issue a communication policy, and corresponding rules, including guidance on:

- Which information needs to be considered confidential, and for how long
- Which information can be disclosed and at what stage
- Who, in the SAI, can provide information to whom
- Which procedures should be followed in each situation

Desirably, this communication policy should be made public, so that stakeholders, citizens and auditees know what to expect and how to proceed.

5. ETHICS MONITORING AND CONTROL[17]

Ethics **monitoring and control** is ensured through an effective legal framework that sets basic standards of behaviour, effective accountability mechanisms, such as internal control and external audit, enforcement procedures and transparency mechanisms providing access to public information, facilitating public involvement and scrutiny.

Identify risks of unethical behaviour and appropriate safeguards

Ethics management and monitoring starts by identifying the specific vulnerabilities of the SAI's activity, organisation and culture and the consequent risks of unethical conduct and applying the appropriate policies and safeguards[18]. An IntoSAINT workshop could be an adequate tool to make this mapping in such a way that the concrete context and features of each

[17] ISSAI-30,22
[18] ISSAI-30, 28-29

SAI are considered and addressed.

However, in general, there are some common risks related to the SAI's typical audit activity, such as those arising from conflicts of interests or confidentiality issues. It is therefore, important, that SAIs address these risks, by identifying them and applying the adequate safeguards and monitoring tools.

The practice in several SAIs allows us to explore some of them.

Conflicts of interests

Due to the requirements of an independent audit work, the SAI is responsible for implementing independence and objectivity-related controls, in particular by addressing the issue of conflicts of interests[19].

Any conflict of interest, whether real or apparent, might impair the independence and objectivity of the auditors and, therefore, jeopardize the quality of the audit and damage the reputation of the SAI. There are a number of relevant threats related to conflicts of interests, detailed in ISSAI 30 itself, notably:

Independence and objectivity threats

- Previous or current close relationships with the auditees, due to previous jobs, family links with the auditee's management or employees, friendship or long term familiarity
- Financial or assets-related interests linked to the auditee or the audited area
- Activities outside the SAI, for example, consultancy or training for audited bodies

SAIs should use policies, routines and procedures to prevent, address and monitor such cases, including guidance, declarations and monitoring by management or specialised units or committees.

Good practice in guidance would include, first at all, a definition of 'conflict of interests', how a conflict might arise and which factors should be considered. It is important to stress that the concept of a conflict of interests does not only relate to a situation where an auditor has a private interest which has actually influenced his impartially and objectivity, but also to a situation in which the interest identified might appear to influence it *in the eyes of the public*.

Identify conflicts of interests

Secondly, the guidance must include a lists of examples based on real experience by the SAIs, the public sector and the audit business. These examples will help the auditors to identify and easily understand the potential conflict of interests. **Annex-5** contains a possible list of such

[19] ISSAI-30, 34-49

examples.

Finally, the guidance should explain the procedures to be followed and the measures to be taken when the auditor identifies the potential conflict. ISSAI 30 mentions some of them[20]: disclose the conflict, remove individual from the audit team, review work and judgments or report the conflict.

Declarations on the absence of conflicts of interests

A tool that SAIs may use to prevent, identify and monitor conflicts of interests consists of formal declarations by the SAI's staff on the absence of conflicts of interests regarding their activity or assignments. **Good practice** indicates that these declarations may take one or several of the following forms:

- Regularly renewing oaths or declarations of independence and impartiality
- Periodically (e.g. annually) stating adherence to the ethical obligations
- Formally declaring, as an auditor, and in every audit, compliance with applicable ethical requirements, including the absence of actual conflicts of interests
- Formally declaring, as an audit supervisor, and in every audit, that he/she has confirmed the absence of any conflicts of interest within the audit team, and
- Regularly declaring public and private interests.

Monitoring the absence of conflicts of interests

Good practice requires the monitoring of the routines and procedures introduced by the SAI to prevent and deal with conflicts of interest. Monitoring may be carried out by management (e.g. by the audit supervisor, by a designated audit manager or director, by HR departments, or by Legal departments). The SAI might entrust a specialized unit or a committee with carrying out the monitoring. These units or committees might also deal with other ethics-related matters and might also be consulted by staff on these issues.

Rotation policies

ISSAI 30 mentions policies for the periodic rotation of staff as a control to be included in the ethics control system[21]. ISSAI 40 also states that the '*SAIs should ensure that policies and procedures are in place that reinforce the importance of rotating key audit personnel, where relevant, to reduce the risk of familiarity with the organisation audited*'.

Rotation of staff

A rotation policy is therefore necessary to avoid auditors' auditing the same area over a too long period of time, and, thus, preserve their independence,

[20] ISSAI-30,39
[21] ISSAI-30, 39(f)

objectivity and impartiality; by the same token, rotation also promotes personal development and contributes towards the motivation of staff.

Good practice examples in rotation policy include:

- A maximum period for auditing the same institution: examples are two, five or seven years
- Compulsory mobility for auditors after a period of five, seven or eight years in the same department
- Compulsory mobility for management posts after a period of seven years
- Encouraging, facilitating and monitoring the effective rotation of staff
- Considering the effective rotation of staff as a positive factor in the annual appraisal report and in the career development of auditors
- Establishing other safeguards when full rotation is not feasible. This includes, for instance, the possibility of rotating audit fields, instead of auditors themselves, thus maintaining successful teams

Rotation policies also present some risks:

- They may jeopardize the necessary audit knowledge and expertise within the team responsible for the engagement
- They may be impossible to adopt or they might be ineffective in small SAIs or small geographical environments

Alternative measures

Alternative measures to preserve the independence, impartiality and objectivity might involve:

- Regular scrutiny of rotation possibilities in order to rotate staff whenever feasible; e.g. the SAI's management team could analyse the staff situation every year and take any rotation decisions that are possible;
- A more flexible composition of the audit teams; e.g. ensuring the replacement of the most senior member on a regular basis, with one auditor always assigned on a short-term schedule (one or two years), etc.
- Stronger collegiality, division and review of audit work.

Political neutrality

The risks of political involvement

Complying with the core principles of SAIs' institutional independence, as stated in ISSAI 10, is very important to protect its judgements from political influence. But that might not be enough. ISSAI 30 mentions the risk that the

concrete political involvement of leaders and staff may impair their impartiality and objectivity and the credibility of the SAI[22].

Although mentioning this risk, ISSAI 30 gives no concrete direction on how SAIs and their staff should act in this respect.

In fact, it is important to acknowledge that political neutrality is an area where it is difficult to produce general common guidance for either SAIs or their staff because the relevant threats and safeguards are closely related to the individual national contexts, including their cultural and legislative environments. Freedom of speech, civic capacity and political rights are, in some countries, strongly protected by constitutional guarantees, stating that any restriction to these rights is strictly limited.

ISSAI 30 expects that these situations are addressed by a national specific approach, considering the context. However, the ISSAI warns that, where leaders and staff are permitted to participate in political activities they must be aware that these activities may lead to professional conflicts and they should act to prevent them. In fact, participation in public political activities, public expression of political views or candidacy in view of election to public office may be perceived by stakeholders as having an impact on the SAI's ability to form unbiased judgements.

Possible policies

In this respect, practices implemented by several SAIs are as follows:

- Public political activities of any kind are often forbidden for SAI's Heads and members
- In some cases they are also forbidden to senior audit staff
- SAIs usually advise their staff to act with discretion when disclosing their political views, especially when speaking in public, in letters to the press, in books, articles or leaflets, or in any other media that are in the public domain. This also applies to canvassing on behalf of candidates for local authorities, national parliaments or the European Parliament, or on behalf of a political party
- Some SAIs have issued policies or rules about the use of social media by their staff.

Good practice indicates that transparency is key: where political activities are permitted to members and staff, it is very important to publically disclose them, so that everyone can scrutinise the audit work and be alert to any potential or real risk to political neutrality.

[22] ISSAI-30, 28(d), 43 and 44.

Policies and checklist relating to gifts and hospitality

Gifts and hospitality[23]

It is well established and recognised that integrity, independence, impartiality and objectivity can be affected by:

- Receiving gifts or hospitality from auditees or suppliers
- Accepting meals during audit assignments
- Receiving free travel, accommodation or entertainment

Even though, **practice** varies:

- Some SAIs completely forbid staff from receiving any gifts or other benefits
- Many have specific rules and guidance, either included in law or established in their code of ethics. Provisions specify the nature and the maximum value of the gifts that might be accepted; in some cases the auditors must also ask for permission from management before accepting any gifts
- Several SAIs consider that staff should not accept inappropriate or inadequate gifts and provide guidance for defining these concepts
- In most cases, social and protocol gifts must be handed over to the institution
- A few SAIs maintain gift and hospitality registers

Annex-6 includes a checklist for self-assessing the circumstances under which gifts or hospitality could or should not be reasonably accepted.

Identify ethical misconduct

Whistleblowing policies[24]

Sound ethics management sets standards of behaviour, but not only that. It also monitors compliance with those standards and enforces them as needed.

SAIs should establish and implement policies to identify ethical misconduct and to act against it, timely, fairly and effectively. Disciplinary measures allowing the imposition of timely and fair sanctions, while ensuring a fair process, are a matter of investigation, discipline and jurisdiction.

For this system to work, the disciplinary measures have to be initiated following decisions of public managers and mechanisms that signal the

[23] ISSAI-30, 22(a), 28(b), 35(a), 48(c)
[24] ISSAI-30, 22(c)

wrongdoing situations. Organisations and managers have their own management and control systems and procedures, which sometimes allow misconduct to be identified and communicated through the line management or ethics units or responsible persons.

Nevertheless, clear and known procedures that facilitate the reporting of wrongdoing and provide protection to whistleblowers assist the detection of individual cases of misconduct and are internationally recommended.

Therefore, SAIs should establish and implement policies on whistleblowing in the event of serious irregularities by SAI staff.

Good practice in this regard includes adopting legal rules to define the rights and obligations of the parties involved. These rules should establish:

Whistleblowing policies should clarify conditions, channels and procedures to handle information and provide protection to reporters

- What should be considered as a serious irregularity (insignificant facts, differences of opinion, conflicts between staff should be disregarded)
- The conditions for providing the information (e.g. in writing, annexing evidence, etc.)
- The channels for providing the information (via middle management, directly to top management or to an external public body responsible for these matters)
- How the information is to be handled by the SAIs (e.g. deadline for informing the whistle-blower of the action taken); it is essential to preserve confidentiality in handling the information to protect both the whistle-blower and the person reported (the principle of innocence must always be respected)
- Specific provisions to protect whistle-blowers from any form of retaliation and preserve their working conditions and careers. The rules should also include provisions to prevent wrongful or detrimental allegations made in bad faith.

Ethics monitoring tools[25]

Improving ethics management and ensuring accountability

Ethics monitoring should allow regular assessment with the purpose of recommending measures for improving ethics management and ensuring accountability.

Good practice examples of ethics monitoring tools include:

- The IntoSAINT self-assessment tool, which enables SAIs to assess overtime their vulnerability and resilience to integrity violations and provides recommendations as how to improve integrity management
- Internal evaluations of the ethical framework conducted by ethics

[25] ISSAI-30, 22(b),23

Self – assessment, internal and external evaluation

Auditees feedback

Reporting

committees, ethics advisers, ethics counsellors or internal auditors

- An assessment using the SAI Performance Measurement Framework (SAI-PMF), a tool developed by the IDI and recently endorsed by INTOSAI
- External evaluation conducted within a general peer review (including a focus on ethical issues)
- External evaluation of the ethical framework conducted by peer SAIs, by a renowned public body, independent experts or an NGO specialized in ethical issues (e.g. Transparency International). These evaluations contribute considerably towards fostering commitment, accountability and transparency in the SAIs
- Involving auditees in assessing the ethics-related performance of audit staff. This is mainly accomplished through surveys on audit practices and through the administration of client feedback questionnaires and self-assessment during and after audit tasks.

A report should be produced after monitoring assessments or evaluations. **Good practice** examples of reporting would:

- State the conclusions and recommendations, leading to an action plan to address the shortcomings identified
- Make the SAI's leadership and management accountable for the results of the monitoring
- Make staff aware, at all stages, of the proceedings and the willingness of management to truly improve the ethical environment of the SAI
- Make the report available to the public, as a way of ensuring full commitment with ethics and transparency.

Good Practice References

ETHICS STRATEGIES

Strengthening ethics and integrity (SAI Albania)

Plan for preventing integrity risks (CoA Portugal)

Good practices in managing ethics in SAIs (GAO US)

CODES OF ETHICS

Code of Ethics (CoA Belgium)

Code of Conduct (AG Denmark)

Code of Deonthology (Cdc France)

The Court's Ethical Guidelines – Decision No 66-2011 (ECA); The Code of Conduct for Members of the Court (ECA)

Code of Conduct (NAO Iceland)

Code of Ethics (SAI of Indonesia)

Code of Standards and Behaviour (Ireland)

Code of Ethics (SAI Israel)

Code of Ethics (SAO Latvia)

Code of Institutional Ethics (NAO Lithuania)

Code of Ethics (NAO Malta)

Code of Conduct (NCA Netherlands)

Code of Ethics (SAI Poland)

Code of Ethics (SAI Romania)

Code of Ethics (SNAO Sweden)

Ethics Guide (Turkey)

Code of Conduct and Ethical Standards for Auditors (NAO UK)

LEADERSHIP

Decision No 38-2016 laying down the rules for implementing the rules of procedure of the Court of Auditors (ECA)

ECA-Transparency Portal (ECA)

Portal de la transparencia (CoA Spain)

Leadership Contract (Italy)

ETHICS GUIDANCE

RAISING AWARENESS AND TRAINING

Examples of conferences/talks/visits: Public ethics (compulsory one day course for newcomers, held twice per year), compulsory workshop on the Court's ethical guidelines for all staff, Leadership & Ethics: Recent changes and future trends, Ethics from a medical perspective (ECA)

Ethics Training for Public Officials (OECD)

Ethics training for managers and staff (Portugal)

COUNSELLING

Ethics Committee (SAI of Brazil)

Ethics Commissioner (Croatia)

Decision No 48-2014 appointing ethics advisers (ECA)

Regulation on the Ethics Commission (SAO Latvia)

Ethics Commission (NAO Lithuania)

Ethics Committee (CoA Romania)

ETHICAL DILEMMAS

Examples of ethical dilemmas that may be faced in our day-to-day work (References are to the ethical guidelines) (ECA)

ETHICS MANAGEMENT

RECRUITMENT

Integrity and ethics in recruitment processes (SAI of Estonia)

Recruitment process and its relation to ethical code (SAO of Czech Republic)

PROFESSIONAL DEVELOPMENT

Staff Notice 62-2016 – Staff assessment reports – Compass procedure, Promotions procedure and Decision No 86-2008 setting up a Joint Committee on Equal Opportunities (ECA)

Ethics in performance evaluations (SAO of Slovak Republic)

Ethical criteria in performance appraisal (CoA Portugal)

BALANCING CONFIDENTIALITY AND TRANSPARENCY

Balancing confidentiality and transparency (UK NAO)

Freedom of Information Act (Ireland)

Decision No 12/2005 as amended by Decision 14/2009 regarding public access to Court documents (ECA)

Transparency portal: http://www.eca.europa.eu/en/Pages/Transparency-access-to-documents.aspx (ECA)

ETHICS MONITORING AND CONTROL

CONFLICTS OF INTERESTS

Code of Conduct for Members of the Court; Staff Notice 45/2015 – New forms for notifications and authorisation requests in relation to ethics issues; Staff Notice 13/2015- Outside activities; Form: Declaration of spouse's employment; Form: Declaration of intention to publish; Form: Declaration of intention to engage in an occupational activity after leaving the court (ECA)

Special Report No 15, Management of conflict of interest in selected EU Agencies (ECA)

Declaration of independence and impartiality (NAO Iceland)

Ethical Compliance Declaration (Ireland)

Declaration on absence of conflicts of interests for each audit assignment (CoA Portugal)

Publication of authorised external activities (CoA Portugal)

Independence statement (CoA Romania)

Interest and wealth statement (CoA Romania)

ROTATION POLICIES

DEC43-15-Staff rotation policy (ECA)

POLITICAL NEUTRALITY

Political Activities (Extract Code of Conduct) (UK NAO)

Code of Conduct for Members of the Court – Articles 6 and 7 and Decision No 38-2016 laying down the rules for implementing the rules of procedure of the Court of Auditors (ECA)

Treaty on the Functioning of the European Union (TFEU) – Articles 285, 286, 287 and 339

webpage https://www.asz.hu/en/ (SAO Hungary)

GIFTS AND HOSPITALITY

BRH System for accepting gifts and gratifications (Germany)

The Code of Conduct for Members of the Court –Article 3 and Internet Transparency Portal/Ethics- Gifts and hospitality (ECA)

WHISTLEBLOWING POLICIES

Internal Whistleblowing Policy (UK NAO)

http://www.ombudsman.europa.eu/en/home.faces (EU Ombudsman)

Good administrative behaviour-
http://www.ombudsman.europa.eu/en/resources/code.faces#/page/1 (EU Ombudsman)

https://secure.edps.europa.eu/EDPSWEB/edps/lang/en/EDPS/cache/offonce Data protection supervisor (EDPS)

Rules of procedure for providing information in the event of serious irregularities ("whistleblowing") (ECA)

ETHICS MONITORING TOOLS

Acknowledgement declaration of the positive working environment policy (anti-harassment, sexual harassment and bullying) (Ireland)

IntoSAINT workshops

Ethics internal evaluation (NAO Bulgaria)

Internal Audit (SAO Czech Republic)

Tools for monitoring and controlling ethical and integrity issues (CoA Romania)

Hotline system (SAI Korea)

Transparency International EU Integrity report

ETHICS LEADERSHIP: SET THE TONE FOR ACTION

Don´t do this!	A must do	Role
• Not having a code of ethics in your SAI	• **Establishing a code of ethics in your SAI** to: - State values - Guide - Set criteria for behaviour and performance - Ensure stakeholders' trust	**STRATEGIC APPROACH TO INTEGRITY**
• Closing your eyes to integrity risks • Denying integrity problems • Solely relying on individuals' actions	• **Making it clear**, through frequent statements and specific policies, **that ethics is a priority** • **Putting ethics in the top management agenda** • Putting in place a strategic approach to ethics, targeted at **building an ethics infrastructure** • **Allocating resources to ethics** (time, staff, space, training)	
• Not giving a good example, doing the opposite of the requirements • Abusing your power • Using your position for personal benefits or using the office for political power • Trying to influence the recommendations and outcomes of the audit missions or refraining from publishing some of the audit results, due to political or personal reasons (e.g. career) • Being arrogant: "*I'm the boss. I don't need to respect my staff*" • Not taking responsibility	• **Demonstrating** fundamental values • **Concerning for others** and showing it • **Being consistent** with what is required from everyone • **Reacting ethically** in critical situations • Ensuring true **professional management** • **Respecting**, **guiding** and **giving feedback** • **Being** fully **accountable** for own and other's decisions and behaviours • Ensuring **high standards of accountability and transparency**	**LEAD BY EXAMPLE: BEING THE MODEL**

Don´t do this!	A must do	Role
• Allowing nepotism, employing relatives and friends • Not demanding enough from your staff: accepting or stimulating unqualified workforce • Demanding too much from staff and not providing enough resources • Making or allowing promotions not based on merit	• **Apply merit and ethics as the main features of the daily management practices**, e.g. in the human resources policies (recruitment, performance appraisal, professional development) • **Recognising and rewarding good behaviour** • **Taking actions that develop trust**, such as sharing useful information	**ETHICAL MANAGEMENT**
• Deciding alone, not involving teams and staff • Ignoring needs and expectations of others • Not discussing ethics problems • Not facilitating advice and guidance	• Being **inclusive** • **Giving employees a voice** in the decision making processes • **Encouraging discussion** of ethics' issues, problems and dilemmas • Ensuring an open and **mutual learning environmen**t • Providing **guidance** • Making sure that **ethics' advice** is available to staff wanting to discuss concrete situations	**OPEN DOOR POLICY**
• Doing nothing to prevent unethical behaviour • Doing nothing to face problems • Disobeying code of ethics • Not managing unethical situations • Not taking care of working discipline	• Identifying and solving **potential ethical risks or conflicts** • **Assessing behaviours** and reviewing intentions • Using permanent awareness and **monitoring**/control tools • Taking **firm corrective actions** when needed • Establishing **whistleblowing** policies • Ensuring **fair hearing** procedures • Never stop **re-examining**	**ENFORCEMENT**

EXAMPLES OF ETHICAL DILEMMAS: What should you do?

- For the last couple of years, you (the auditor) have performed the annual budgetary audit of the same auditee. By now, you have developed friendly relations with the chief accountant. On your birthday, which he/she knows by now, the chief accountant brings you a small gift. What should you do?
- You are carrying out an audit in an entity which has been audited before by your colleagues. You discover a significant error, which, according to the documents, has already been present for several years and was not detected during the previous audits. Disclosing the error would show that the earlier audits by your office were not thorough enough but, if you conceal it, it will persist. What should you do?
- You take part in a coordinated audit, which will be carried out on the basis of the same methodology in a number of entities. The audit procedures include testing the use of a new IT tool. So far, you have not used this tool in practice and it was not possible to provide you with formal training in time. Besides, you have some doubts as to whether these computer-based methods really improve audit quality. You think that your long experience is a better guarantee for that. What should you do?
- At the end of an audit, you realize that you focused so much on one important issue that you missed a couple of other important questions in the audit programme. There is no time to conduct analyses in accordance with the methodology specified for them. What should you do?
- Your colleague wants to spend his/her life savings on the purchase of land to build his/her dream home there. During an audit, you discover that the mayor is currently conducting confidential preliminary negotiations with a potential investor of the construction of a municipal garbage sorting station on the land adjacent to the location chosen by your colleague. What should you do?
- A member of the audit team you lead is very competent at work and produces good quality audits but he/she is often impolite towards employees of auditees, uses offensive language and has a quick temper, threatens and shouts at them and sometimes throws documents. He/she is very sensitive to criticism of any kind and asking him/her to refrain from this sort of behaviour may reduce the quality of his/her contribution in future audits. What should you do?
- You have to give an opinion on an audit programme developed by another unit. You have three working days for this task. A member of the team responsible for the audit urges you to prepare an opinion by tomorrow because they are already late with the programme, and if the audit is not started immediately, its entire planning will be wasted. You have other work to do and doubt whether you can really familiarise yourself with the material in such a short time. What should you do?
- You find out by coincidence that your colleague, whose work has never been a subject of criticism, is copying entire books from the library on an office photocopying machine to put in his/her own library at home. What should you do?

- You notice that contracts for cleaning the premises of an audited entity have been granted to the same company for several years. Analysis of information on the website of the company shows that the surname of the owner is the same as the name of the employee of the entity in charge of building maintenance, who has been working at the company for many years. Upon being asked, he states that the company was founded by his son who, after a long period of unemployment, received a grant from the Labour Office to start the company with which he now supports his family (a wife and two children). If it is disclosed that tendering for the cleaning contracts was not performed in accordance with the regulations, the father will be dismissed and the son's company will be in danger of going bankrupt. The cleaning costs are in line with market rates and the contracts only represent a small part of the total budget of the entity. What should you do?
- An auditor who is an avid football fan goes with friends to a home match of his favourite team. Prior to the match, they get in the mood by drinking quite a few beers. During the match, the auditor enters into an argument with an intoxicated supporter of the other team, who has been improperly accosting women in the public. The argument becomes heated, blows are exchanged and the stadium stewards call the police. The auditor shows his office ID to the police officers and argues that his opponent should be arrested as his improper behaviour was the cause of the fight, while he was only trying to protect the ladies. What to do?
- The auditee's office is in a remote industrial area with bad public transport and no canteen, and there is no café or restaurant in walking distance. The auditee offers you free transportation to your hotel and daily coffee and snacks. What should you do?

A MODEL FOR INDIVIDUALS TO ADDRESS ETHICAL DILEMMAS- CHECKLIST

Step	Elements to be considered
1. Analyse the problem to assess whether ou are facing a right-versus-right situation (a real dilemma) and not a right-versus-wrong situation (a compliance problem). - Is one option against a legal requirement or contrary to ethics? (If YES, you are not facing an ethical dilemma) - Two courses of action are possible but you cannot do both; two desirable values are in conflict (If this is the case, you are facing an ethical dilemma).	**<u>Elements to consider</u>** • The right-versus-wrong test: • The compliance test: "Do I infringe any law or established rules/principles in the organisation?" • The mirror test: "can I live with the decision I'm taking?" • The publicity test: "Am I willing to read about this in the newspaper? Tell my family?" • The signature test: "Do I take public responsibility for this?" • The *kantian* test: "What if everybody acted like me?" • Ethical dilemma paradigms: • Truth versus loyalty: • Honesty & integrity versus commitment or promise • Myself versus the others; us versus them; smaller versus larger group. • Short term versus long term • Now versus then; immediate needs versus future goals • Justice versus mercy; fairness even-handed application of rules versus compassion and empathy
2. Evaluate the situation and provide your own solution based on the values at stake, assess the consequences. - Do I have all elements to solve the dilemma? - What is my solution to the dilemma?	**<u>Resolutions methods</u>** • END-BASED: the greatest good for the largest number (it includes a small amount of bad for a few people). • RULE-BASED: I'm setting the standard – I want everyone to act the same way in the same situation. • CARE-BASED: I put myself in the shoes of those affected by my decision.

3. Check whether other persons involved (hierarchy, colleagues) agree with the options you identify or see alternatives.	**Questions to reply** - Who is involved? - What do they think? - Are there opposing views?
4. Evaluate the real impact of your action and any feedback.	**Final considerations** - Take a course of action on the best option identified. - Evaluate the real impact of your action and any feedback, as this experience can serve as a precedent or a good point of departure when facing similar situations in the future

***Sources**:*

Fabrice Mercade, Ethical dilemmas and how to address them (EUROSAI TFAE conference, Lisbon 2014)
Rushworth KIDDER " How good people make tough choices: Resolving the dilemmas of ethical living"
Paolo Giusta: "Ethics Matters – Practical micro-ethics for civil servants of the European Union". European Court of Auditors, 2006.
United Nations Ethics Office; http://www.un.org/en/ethics/index.shtml;
European Commission, Practical Guide to staff Ethics and Conduct (http://ec.europa.eu/civil_service/admin/ethic/index_en.htm)

EXAMPLES OF CONFLICTS OF INTERESTS

- I have been asked to audit a maritime infrastructure project in a commercial harbour. This project was carried out by an engineering company "X" for which I worked 12 years ago. The Managing Director of "X" is no longer the same but some of my former colleagues are now shareholders in the company. I ask my superior to appoint another auditor, as my credibility and the result of my audit may be questioned.
- My husband's uncle owns a milk farm that benefits from public subsidies. One of my tasks consists of auditing this farm – among others. Even if I have never met this second-degree relative of my husband's, I can foresee that there may be a potential family conflict because I might have to report some errors in the application of the funds. I ask my superior to take me off this task.
- I am an active supporter of a political party that has won the recent elections. I am asked to audit a state department whose newly-appointed director was a political associate of mine. I do not want it to be thought that my work as an auditor in this case can be cast into doubt by my political beliefs. I immediately talk to my superior and ask him to appoint another auditor.
- I am asked to audit the state agency that employed me just before I joined the Supreme Audit Institution. I ask my superior to be removed from this task.
- Having been elected to my local municipal council, I am invited by the mayor to manage a programme receiving public funds from the state budget. I decline the invitation.
- I am currently working in the department responsible for auditing international cooperation for development aid. I have been invited to sit on the management board of an NGO which receives a substantial amount of this aid. I decline the invitation.
- I have been assigned to a team responsible for auditing a state agency in which my brother is working as a clerical assistant doing. 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.
- I have been assigned to a team responsible for auditing a state agency; my sister chairs the agency's governing board. I inform my superior and ask to be removed from the task.
- I have been assigned to a team in charge of auditing a state agency. A close friend of mine is head of a department in this agency. I inform my superior. We discuss the matter and conclude that the audit should not normally involve the department headed by my friend. I can carry out the audit, but I remain attentive in case my friend is required to play a role in the audit. I avoid talking to my friend about the audit.
- I have been assigned to a team in charge of auditing the travel expenses of the Members of the Parliament. Two years ago, before joining the SAI, I was responsible for authorising travel expenses at the Parliament. I inform my superior and ask to be removed from the task.
- I have been assigned to a team in charge of auditing the implementation of an environment programme. Before joining the SAI, I worked as a financial officer in a regional department of the Ministry of Environment. I inform my superior. We discuss the matter and conclude that the audit will not involve the department in which I worked. I can carry out the audit.

- I am auditing a private company receiving state budget funds. The Director offers me a position that interests me. I inform my superior. We conclude that, since my audit observations on the company have 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.
- I am auditing the implementation of a public 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.

MAY YOU ACCEPT GIFTS OR HOSPITALITY? A SELF-ASSESSMENT CHECKLIST

1.Are you authorised by the rules of your office or by any other applicable regulations to accept gifts or hospitality under certain conditions?	**Provisions on the acceptance of gifts and hospitality can be found in:** ✓ SAI Code of conduct, ethical guidelines and specific rules. ✓ Staff regulations applicable to civil servants.
2.Does the gift or hospitality comply with those conditions?	**Conditions might refer to:** ✓ A maximum value (e.g. less than 50€) ✓ The nature of the gift or hospitality (e.g. covered by the Convention on International Trade of Endangered Species, like an object made of a protected animal skin or shell; a counterfeit object; an invitation to an illegal or 'inappropriate' place, like a gambling house). ✓ The person or entity that offers the gift or hospitality (e.g. a gift or hospitality offered by an auditee or by a supplier or potential supplier of the SAI). ✓ Any other condition established by the rules.
3.If you accept the gift or hospitality, would you feel uncomfortable, under influence or unduly inclined to adopt a different attitude or opinion?	**Elements to consider:** ✓ Does the gift or hospitality comply with the conditions set out in the rules, and is it proportionate and appropriate. ✓ Are the gifts or acts of hospitality over-frequent? ✓ Is there any real or perceived actual or potential conflict of interest.
4.How would other people react when they know that I have accepted the gift or hospitality?	**To assess the reaction of others consider the following:** ✓ You are setting the standard – you want everyone to act the same way in the same situation ✓ Put yourself in the shoes of those affected by your decision ✓ Accepting the gift or hospitality might not be seen as detrimental to the interests of the SAI, in any case
5.Consult other people.	In case of any doubt, do not hesitate to consult your superiors or colleagues, or the ethical advisers of the SAI.
6.Display the information openly; declare the gift or the hospitality accepted or rejected.	Inform your superiors and follow the SAI's rule on declaring and registering gifts and hospitality. This concerns gifts and hospitality offered, whether they are accepted or not.

TASK FORCE ON AUDIT & ETHICS
Participating Member SAIs

Portugal (Chair)
Albania
Croatia
Czech Republic
ECA
Finland
Former Yugoslavia Rep. Macedonia
France
Germany
Hungary
Israel
Italy
Malta
Moldova
Montenegro
Poland
Romania
Russian Federation
Serbia
Spain
The Netherlands
Turkey
United Kingdom