GUIDANCE ON IMPLEMENTATION OF ISSAI 30- CODE OF ETHICS

SAI Fighting Corruption Programme

CONTENTS

PART I: BACKGROUND AND INTRODUCTION

This Guidance has been developed to support the SAIs in their 'Implementation of ISSAI 30: Code of Ethics for SAIs'. This is one of the three components of the IDI Programme on ' SAI Fighting Corruption'. Even as SAIs contribute to the fight against corruption in the country, they need to ensure that their own ethical practices are robust. SAIs will be facilitated in gaining an understanding of the revised ISSAI 30 through an eLearning programme based on this guidance. SAIs are expected to come up with an action plan for implementation of ISSAI 30 based on this understanding and their current situation. This guidance and the related eLearning programme are based on the revised ISSAI 30 document that is proposed to be endorsed at the INTOSAI Congress in December 2016.

1. TOOLS IN THE INTOSAI COMMUNITY SUPPORTING THE IMPLEMENTATION OF ISSAI 30

Besides using this guidance to understand the issues regarding implementation of ISSAI 30 and also know their current status, SAIs are recommended to use the following tools available in the INTOSAI community that can further help in the implementation of ISSAI 30.

SAI PMF

The SAI Performance Measurement Framework (SAI PMF) is a global public good of INTOSAI that provides SAIs with a framework for voluntary assessment of their performance against the International Standards for Supreme Audit Institutions (ISSAIs) and other established international good practices. SAI PMF covers the assessment of six domains of the functioning of SAIs against international good practices. These domains are Independence & Legal Framework, Internal Governance & Ethics, Audit Quality & Reporting, Financial Management, Assets and Support Services, Human Resources & Training and Communication & Stakeholder Management. These six domains are further classified into 25 indicators.

The indicators further have dimensions and finally the relevant criteria for each of the dimensions that provide an assessable question for the specific issue under consideration.

The criteria from SAI PMF that are relevant to assessing the implementation of ISSAI 30 have been considered in the subsequent sections of the guidance.

<div align="center">INTOSAINT</div>

Into-SAINT (Self-Assessment INTegrity) is a self assessment instrument that SAIs can use to analyse their integrity risks and assess the maturity level of their integrity management systems. Criteria from INTOSAINT have also been considered in developing this guidance.

2. STUCTURE AND USE OF THE GUIDANCE

This Guidance is divided into eight parts. The next part introduces ISSAI 30. The subsequent parts discuss the different issues related to the implementation of ISSAI 30. Appendix 1 at the end provides some case studies and examples of good practices.

The SAIs participating in the IDI's SAI Fighting Corruption Programme are expected to ascertain the current status of their implementation of ISSAI 30 as per this guidance. The SAIs are further expected to follow up on the findings and address the individual criteria relevant to the implementation of ISSAI 30 and the different constituent values. Such follow up is expected to involve corrective mechanisms or setting up new systems so as to ensure the implementation of ISSAI 30.

To facilitate this follow up, SAIs are expected to develop an action plan for implementation of ISSAI 30. The decision of publishing the action plan or retaining it only for internal use of SAIs will be taken by the SAIs themselves.

PART II: INTRODUCTION TO ISSAI 30

The International Standards of Supreme Audit Institutions (ISSAI) framework, formally established in 2007, reflects the ambition of the international Organisation of Supreme Audit Institutions (INTOSAI) to provide its membership and other interested parties with a framework of professional high-quality auditing standards. **ISSAIs**[1] state the basic prerequisites for the proper functioning and professional conduct of SAIs and the fundamental principles in auditing of public entities.

 The ISSAIs form a hierarchy of official pronouncements with four levels.
Level 1 - Founding Principles
Level 1 of the ISSAI framework contains the founding principles of INTOSAI. ISSAI 1 The Lima Declaration from 1977 calls for the establishment of effective SAIs and provides guidelines on auditing precepts. All ISSAIs draw and elaborate on this historical document.
Level 2 - Prerequisites for the Functioning of Supreme Audit Institutions (ISSAIs 10-99)

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[1] www.issai.org

The Prerequisites for the Functioning of Supreme Audit Institutions contain INTOSAI's pronouncements on the necessary preconditions for the proper functioning and professional conduct of SAIs. These include principles and guidance on independence, transparency and accountability, ethics and quality control.

Level 3 - Fundamental Auditing Principles (ISSAIs 100-999) The Fundamental Auditing Principles express the essence of public sector auditing. They contain the common pronouncements by INTOSAI's members of the generally recognized professional principles that underpin effective, independent auditing of public-sector entities.

Level 4 - Auditing Guidelines (ISSAIs 1000-5999)

The Auditing Guidelines translate the fundamental auditing principles into more specific, detailed and operational guidelines that can be used on a daily basis in the conduct of auditing tasks. Each guideline has a defined scope of application and may be adopted in full or adapted as necessary to reflect national circumstances.

<div align="center">ISSAI 30</div>

ISSAI 30 is a level 2 ISSAI dealing with the Code of Ethics in SAIs. As mentioned in the Preamble to ISSAI 30,

1. Supreme Audit Institutions (SAIs) are held to high expectations and must earn the trust of stakeholders (citizens, legislative, and executive bodies, auditees and others). Therefore, they need to act as model organisations and inspire confidence and credibility. As ethical behaviour is a key component in establishing and sustaining the needed trust and reputation, a code of ethics is a prerequisite for the functioning of a SAI.

2. The INTOSAI Code of Ethics (the Code) intends to provide SAIs and the staff working for them with a set of values and principles on which to base behaviour. Furthermore, recognising the specific environment of public sector auditing (often different from that of private sector auditing), it gives additional guidance on how to embed those values in daily work and in the particular situations of a SAI.

ISSAI 30 is based on five fundamental values :

(a) **Integrity** – to act honestly, reliably, in good faith and in the public interest;

(b) **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;

(c) **Competence** – to acquire and maintain knowledge and skills appropriate for the role, and to act in accordance with applicable standards, and with due care;

(d) **Professional behaviour** – to comply with applicable laws, regulations and conventions, and to avoid any conduct that may discredit the SAI;

(e) **Confidentiality and transparency** – to appropriately protect information, balancing this with the need for transparency and accountability.

The subsequent parts of this Guidance deals with the implementation of ISSAI 30. The Endorsement version dated May 2016 has been used for drafting this Guidance.

In this regard the following two issues mentioned in the preamble to the ISSAI 30 are also pertinent:

1. No code can address all ethical circumstances that will arise in practice. Accordingly, the Code is written at a principle level. SAIs and their staff should apply their professional judgement to the circumstances they encounter and follow the relevant requirements set out in this Code.

2. To satisfy the diversity of culture, and legal and social systems (such as specific rules applying to SAIs of judicial nature), each SAI is encouraged to develop or adopt a code of ethics and an appropriate ethics control system to implement it. This Code constitutes the foundation for each SAI's code, which should be at least as stringent as the INTOSAI Code.

Accordingly, this guidance is also at the policy level and does not attempt to be an extensive checklist for implementation of ISSAI 30.

It is also relevant that there are likely to be overlaps in dealing with different aspects of the Code of Ethics and the constituent values since values do not operate in individual water tight compartments.

PART III: IMPLEMENTATION OF ISSAI 30

In the previous parts, we have discussed the ISSAI 30 in brief. We now move on to the implementation of Code of Ethics in general and ISSAI 30 in particular. This part also introduces a model for implementation of ISSAI 30 and some related checks. This part covers the general issues relevant to the implementation of ISSAI 30. Issues relevant to the five values have been considered separately in each of the following five parts of this guidance.

1. INTRODUCTION

The preamble to ISSAI-30 explains the importance of the Code of Ethics for SAIs. However the utility of a Code of Ethics can only be realized through a proper implementation of the Code in the respective SAIs. A Code of Ethics developed by an SAI that remains as a document for record serves no purpose. It is important that the code is implemented to realise the purpose envisaged in ISSAI 30. 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.

A background research study for developing this guidance was conducted by the IDI in 2016 on 28 SAIs across different INTOSAI regions. This, along with the surveys undertaken on the subject by the EUROSAI

Task Force on Audit and Ethics[2] has presented a lot of relevant ways in which the SAIs are taking steps to implement the Codes of Ethics in their respective SAIs.
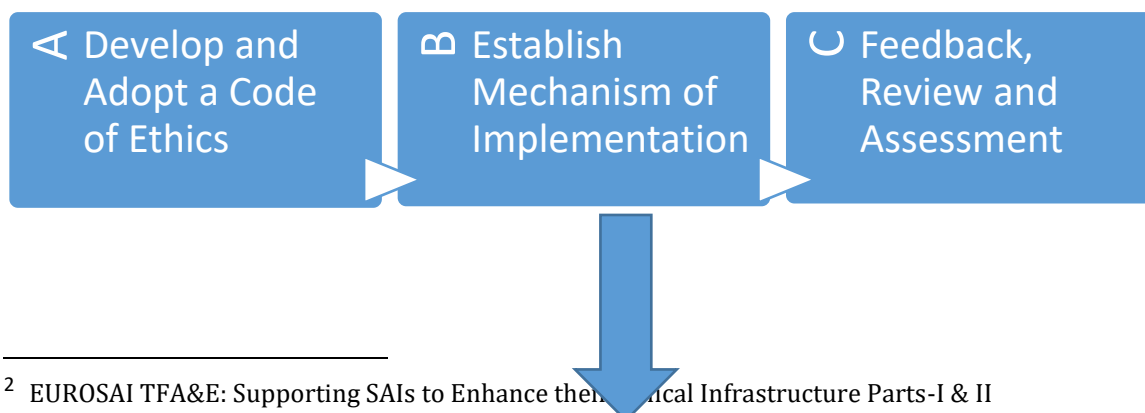
While a majority of SAIs surveyed have some sort of a Code of Ethics, several have been silent about the measures adopted by them for implementation of the Code. SAIs have acknowledged the importance of 'Leading by Example'. They have mentioned that they strive to meet the requirements of ISSAI 30. The main elements mentioned by SAIs with regards to implementation of Codes of Ethics include declaration of conflicts of interests, data protection, leadership decisions, monitoring and follow up of incidents etc. In some SAIs Code of Ethics has been included in the Auditor's manual. Specialized Ethics related units have been set up in SAIs. Concerning the application of the Code of Ethics in the professional (audit) field, issues mentioned include supervision of audits, pre-audit declarations regarding conflict of interest etc. Some SAIs with judicial functions especially in the CREFIAF region have mentioned that the magistrates working in the SAIs are subject to the code of ethics applicable to the body of the judiciary.
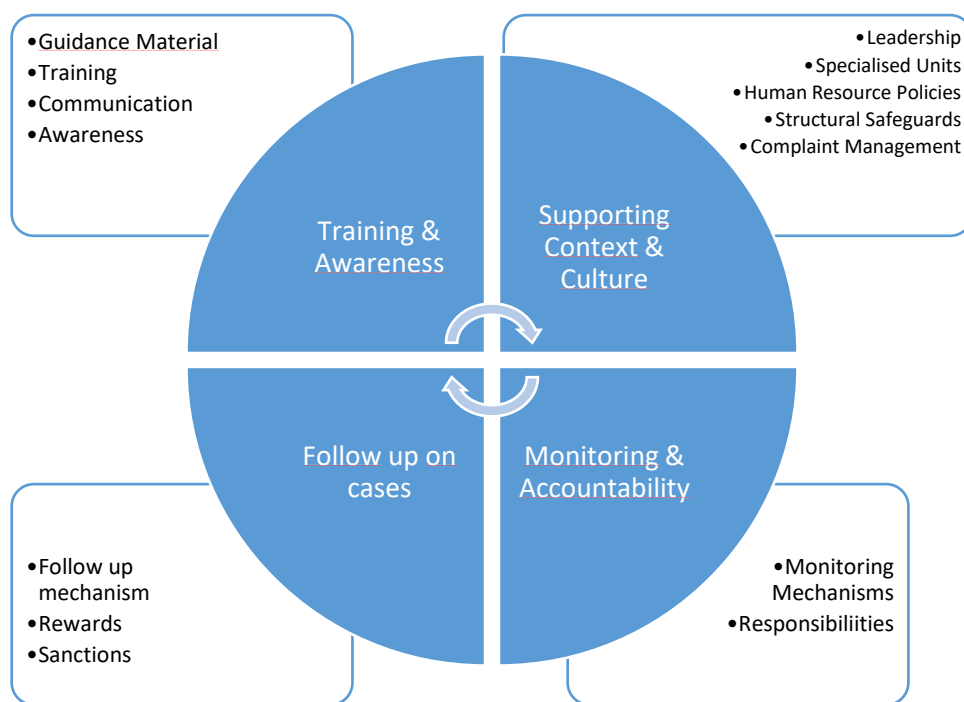
2. IMPLEMENTATION OF ISSAI 30

This guidance focusses on the assessment of implementation of ISSAI 30 (Code of Ethics for SAIs). In order to provide a framework for assessment, a framework for implementation of ISSAI 30 is proposed. This is not intended to be a binding framework for use by SAIs. Instead, it seeks to provide a reference for the SAIs to ascertain their status with regards to implementation of ISSAI 30.

Based on the information received from SAIs as mentioned in the introductory section above, a three stage process is suggested as a framework for the Implementation of ISSAI 30.

Figure 3-1 Framework for Implementation of ISSAI 30

A Develop and Adopt a Code of Ethics

B Establish Mechanism of Implementation

C Feedback, Review and Assessment

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[2] EUROSAI TFA&E: Supporting SAIs to Enhance their Ethical Infrastructure Parts-I & II

- Guidance Material
- Training
- Communication
- Awareness

- Leadership
- Specialised Units
- Human Resource Policies
- Structural Safeguards
- Complaint Management

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- Follow up mechanism
- Rewards
- Sanctions

- Monitoring Mechanisms
- Responsibiliities

3. STATUS OF IMPLEMENTATION OF ISSAI 30

In this section, the above framework has been further elaborated, and different criteria suggested.

Develop and adopt a code of ethics

This is the first step for an SAI to implement ISSAI 30.

Treatment in ISSAI 30

Clause 12 (a) The overall responsibilities expected of SAIs in this regard from ISSAI 30 are:

The SAI shall adopt and implement a code of ethics consistent with this standard and shall make it public.

Codes of Ethics have also been defined in ISSAI 30:

Clause 15: A code of ethics or a code of conduct sets out ethical values and principles, and the way a SAI expects its staff to behave, therefore guiding individual behaviour. It is critical that a SAI's code supports an environment conducive to behaviour consistent with the values and principles expressed in this standard. This includes fostering an understanding that compliance with the SAI's code means abiding by the spirit and not just the letter of the code.

Clause 16: Each SAI sets its code, and policies and procedures in accordance with its culture, and legal and social systems. The level of detail of the code is determined by context and organisational culture. The SAI's code of ethics may be in a variety of forms or formats. Elements to be considered are: statements about the values that guide conduct, descriptions of the associated expected behaviours,

specific examples of ethical dilemmas and sensitive situations, ethical conflict resolution, whistle-blowing procedures, and provisions for dealing with misconduct.

Clause 17: Staff are more likely to follow the code if it has been developed in an inclusive and transparent manner.

Criteria

The following criteria are relevant for a status check:

a) Does the SAI have a <u>code of ethics</u>. *ISSAI 10:3, ISSAI 30.*
b) Does the code of ethics sets out "ethical rules or codes, policies and practices that are <u>aligned with ISSAI 30</u>." *ISSAI 20:4.* As a minimum it should contain criteria which address the auditors' "integrity, independence and objectivity, competence, professional behaviour, confidentiality and transparency." *ISSAI 30: pg. 5*
c) Has the SAI made the code of ethics <u>publicly available</u>. *ISSAI 30:12*
d) Has the Code of Ethics been developed in the SAI with the involvement of its staff? ISSAI 30:12

A. ESTABLISH MECHANISM OF IMPLEMENTATION OF CODE OF ETHICS

The different sub-areas are considered along with the relevant assessment criteria as follows:

I.   Training and Awareness

Treatment in ISSAI 30

Clause 12 B: The SAI shall emphasise the importance of ethics and promote an ethical culture in the organisation.

Clause 12 D: The SAI shall require all staff to always engage in conduct consistent with the values and principles expressed in the code of ethics, and shall provide guidance and support to facilitate their understanding. The SAI shall require that any party it contracts to carry out work on its behalf commit to the SAI's ethical requirements.

Clause 19: Clear communication is necessary to increase staff's awareness and understanding of the code of ethics. This can include educating staff on promoting the SAI's values and addressing ethical dilemmas, by offering workshops and training, leadership engagement, and disseminating ethics topics and good practices.

Clause 20: Although ethical behaviour is primarily the responsibility of staff, SAIs can support staff by assigning responsibilities to ethics advisors (in some cases operating as ethics committees, integrity coordinators, ethics officers, or counsellors) to give advice on specific issues. Confidentiality and a defined due process are critical elements for the effective use of this assistance.

Criteria

a) Does the SAI provides guidance and support to facilitate the understanding of the Code of Ethics? ISSAI 30:12 d

II.   Supporting Context and Culture

Clause 12 (b): The SAI shall emphasise the importance of ethics and promote an ethical culture in the organisation.

Clause 12 (c): The SAI's leadership shall set the tone at the top by its actions and example, acting consistently with the ethical values.

Clause 12 (e): The SAI shall implement an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing.

Clause 12 (f) The SAI shall establish procedures to address identified conflicts between its ethical requirements and the standards of professional bodies that the SAI staff may be a member of.

Clause 13: To promote and safeguard ethics in every aspect of the organisation and its activities, a SAI implements an ethics control system that includes appropriate specific strategies, policies and procedures to guide, manage and control ethical behaviour. This ethics control system can be designed as a separate set of controls or integrated within the SAI's overall internal control system.

Clause 14: The main components of the ethics control system are: code of ethics, leadership and tone at the top, ethics guidance, and ethics management and monitoring.

Clause 18: Leadership: Building an ethical culture in an organisation starts with its leadership. Leaders demonstrate the tone at the top by:

(a) setting ethics as an explicit priority;

(b) reinforcing this priority by clear, consistent and regular messages;

(c) implementing strategies, policies and procedures to promote ethics;

(d) leading by example;

(e) maintaining high standards of professionalism, accountability and transparency in decision making;

(f) encouraging an open and mutual learning environment, where difficult and sensitive questions can be raised and discussed;

(g) providing an environment in which staff experience fairness of treatment conducive to good relationships among colleagues;

(h) recognising good ethical behaviour, while addressing misconduct;

(i) ensuring that ethics, policies and procedures are applied consistently and fairly.

Clause 21: Incorporating ethics in daily management is essential to reinforce values. This includes recognising ethics as a criterion in recruitment, performance appraisal and professional development. It also implies recognising good ethical behaviour and applying safeguards to specific risks, such as those arising from conflicts of interests or confidentiality issues.

Criteria

a) Has the SAI implemented an ethics control system to identify and analyse ethical risks, to mitigate them, to support ethical behaviour, and to address any breach of ethical values, including protection of those who report suspected wrongdoing." *ISSAI 30:12*

b) Does the SAI have an approved and applied <u>organizational structure</u> and "ensure that responsibility is clearly assigned for all work carried out by the SAI." *ISSAI 40: pg. 10*

c) Does the SAI use clear job descriptions covering main responsibilities throughout the organization. (SAI PMF Task Team)

d) Is it required of all staff to always engage in conduct consistent with the values and principles expressed in the code of ethics. Is there any mechanism in the SAI to ensure this?

e) Has the top leadership in the SAI set the tone in ensuring regular and consistent messages from them <u>regarding adherence to the code of ethics?</u> *ISSAI 30:18*

f) Is an open and mutual learning environment made available for open discussion of difficult and sensitive questions related to implementation of code of ethics? *ISSAI 30:18*

g) Has the SAI developed and implemented a <u>job rotation policy</u> to manage possible conflicts of interest. *INTOSAI GOV 9100: pg. 2*

h) Does the SAI have a system of interaction with relevant stakeholders like professional bodies in case of conflicts between the ethical requirements expected of their staff being employees of the SAI and members of the professional bodies?

III.   FOLLOW UP

Treatment in ISSAI 30

Clause 18 h: recognising good ethical behaviour, while addressing misconduct;

Clause 22 c: establishing and implementing policies on ethical misconduct and whistle-blowing – these include procedures for reporting cases of misconduct and for **timely and adequate response, investigation and sanctioning.**

Criteria

a. Is there a system of following up, investigating and taking action on possible and actual cases of misconduct?

b. Is there a system of sanctions in place to be invoked in cases of misconduct?

IV.   MONITORING AND ACCOUNTABILITY

TREATMENT IN ISSAI 30

Clause 22: Monitoring controls help the SAI mitigate ethics risks. The SAI may apply the following monitoring controls:

(a) maintaining registers to track interests, gifts and hospitality;

(b) conducting self-assessment, internal and external reviews that can be used regularly, as monitoring tools, as a way to identify and analyse vulnerabilities and recommend measures for improving ethics management, and/or as a routine to ensure accountability. Evaluations will have to consider that many ethical requirements refer to soft controls, which require the use of

specific appropriate assessment methods. Tools available for these assessments include IntoSAINT,[3] peer review guidelines, surveys, interviews and feedback questionnaires;

(c) establishing and implementing policies on ethical misconduct and whistle-blowing – these include procedures for reporting cases of misconduct and for timely and adequate response, investigation and sanctioning.

Clause 23: Information gathered from the procedures above can be used to regularly evaluate, update and improve ethics policies. A SAI may report to relevant stakeholders on these evaluations (for example in its annual performance report).

Criteria

a. Does the SAI have a notification and monitoring procedure in place for employees to report and the SAI to follow up on suspected violations ('whistle blowing').

b. Has the SAI assessed its vulnerability and resilience to integrity violations, through the use of tools such as SAI PMF or IntoSAINT or similar, in the past five years.

c. Does the SAI "Apply high standards of integrity (...) for staff of all levels" by adopting an integrity policy based on an assessment using IntoSAINT or a similar tool. *ISSAI 20:4*

d. Does the SAI have a system in place with responsibilities assigned for monitoring the implementation of Code of Ethics?

e. Does the SAI have a system of monitoring the assets, interests, gifts and hospitality received for its employees?

B. FEEDBACK, REVIEW AND UPDATES

This is the final stage in the cycle where the Code of Ethics itself is subjected to feedbacks, review and assessments leading to regular updates so that it continues to meet the requirements of the SAI.

TREATMENT IN ISSAI 30

Clause 23: Information gathered from the procedures above can be used to **regularly evaluate, update and improve ethics policies.** A SAI may report to relevant stakeholders on these evaluations (for example in its annual performance report).

Criteria

a. Does the SAI have a system to review the code of ethics at least every ten years to ensure it is in line with ISSAI 30.

After this introductory part on assessing the implementation of the ISSAI 30 in general, the subsequent parts looks at each of the values mentioned in ISSAI 30.

PART IV. INTEGRITY

1. DEFINITION OF INTEGRITY

Integrity is a core value in public sector organizations. It is one of the five fundamental ethical values recognised by ISSAI 30. **In the context of an SAI, integrity means to act honestly, reliably, in good faith and in the public interest.[4]**

2. INTEGRITY IN ISSAI 30

The following ethical principles have been developed in ISSAI 30 in order to guide SAIs in carrying out integrity in practice and, therefore, knowing what should be appropriate behaviour when handling integrity.

Clause 24: Requirements at the level of SAI

  (a) The SAI shall emphasise, demonstrate, support and promote integrity.

  (b) The SAI shall ensure that the internal environment is conducive for staff to raise ethical breaches.

  (c) The SAI shall respond to integrity breaches in a timely and adequate manner.

Clause 25: Requirements at the level of SAI staff

  (a) The SAI's leadership shall lead by example.

  (b) SAI staff shall set a good example by acting honestly, reliably, in good faith and in the public interest. In the course of their work they shall be trustworthy. They shall comply with the policies and standards set by the organisation.

  (c) SAI staff shall take care to exercise responsibilities and use the powers, information and resources at their disposal solely for the benefit of the public interest. They shall not use their position to obtain favours or personal benefits for them or for third parties.

  (d) SAI staff shall be aware of integrity vulnerabilities and approaches to mitigate them, and shall act accordingly.

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3. IMPLEMENTATION OF INTEGRITY

A. Integrity is part of a code of ethics

ISSAI 12-"The value and benefits of SAIs: Making a Difference to the live of citizens", stipulates that **SAIs should apply high standards of integrity and ethics as expressed in a code of conduct[5]**. Even though it could be referred to in different national frameworks or regulations applicable to the whole public

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[4] ISSAI 30

[5] A code of conduct is an internal regulation, developed according to each individual SAI's environment, Establishing the institutional provisions governing the auditors 'conduct. The code incorporates the values and principles included in the code of ethics. Further guidance can be found in ISSAI 20, principle 4.

sector, integrity should explicitly be mentioned in the SAI Code of ethics or equivalent instrument, with a clear definition of its meaning and implications in the SAI's particular legal context and mandate.
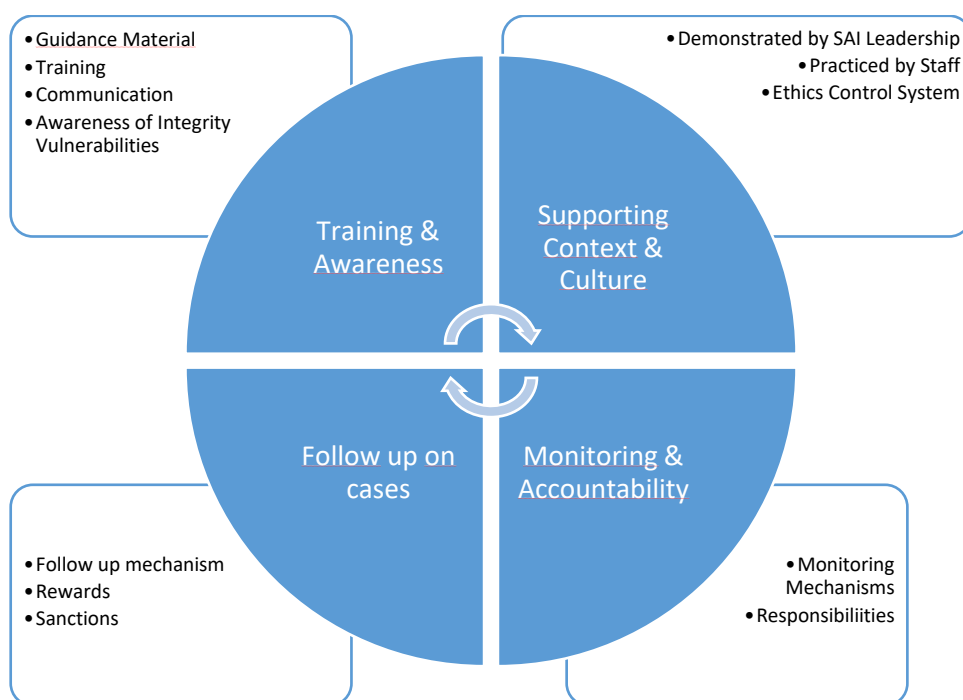
B. Mechanisms for implementing integrity

ISSAI 30 provides general guidance for application of integrity, both at the SAI and at the staff level. To promote integrity, a SAI implements and maintains an ethics control system, consisting of a well-balanced set of measures and controls. In order to sustain public trust, SAI staff are expected to act above reproach, not engaging in any improper activity.

Responsibility regarding integrity at the SAI and at the staff level shall be undertaken in each of the following streams:

- Training and awareness
- Supporting and context culture
- Follow up on cases
- Monitoring and accountability

Figure 4-1 Mechanisms for Implementing Integrity

- Guidance Material
- Training
- Communication
- Awareness of Integrity Vulnerabilities

- Demonstrated by SAI Leadership
- Practiced by Staff
- Ethics Control System

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- Follow up mechanism
- Rewards
- Sanctions

- Monitoring Mechanisms
- Responsibiliities

I.   INCLUDING INTEGRITY IN TRAINING AND RAISING AWARENESS

According to ISSAI 12 principle 10-3 "Complying with the SAI's code of ethics", **SAIs should institute appropriate policies and processes to ensure awareness of and adherence to the requirements of the code of conduct within the SAI".**

Development of professional capacities in SAIs covers audit methodology and subject matter expertise, but should also extend to ethical values which are necessary for auditors to carry out their duty in the most professional manner, promoting high quality audit work, and preserving the credibility of the SAI.

Investments should be made in the moral resilience of individual members of staff. Integrity, or the integrity of an act, stands or falls on the integrity of the persons involved. Attention should therefore be paid to training and educating SAI staff so that they can respond correctly in high-risk situations or if faced with dilemmas at work. Therefore, integrity should be appropriately integrated in training programs, workshops, etc. Due attention should also be paid in raising the awareness of newly recruited staff on integrity considerations or related issues. Integrity should also be included in any reference guide intended to sensitize staff on ethics issues.

It is also important for SAI staff to be aware and alert to the circumstances that might expose them to integrity vulnerabilities.

ISSAI 30 reference-Clause 28: At the individual level, staff need to be alert to circumstances that might expose them to integrity vulnerabilities related to working for the SAI and in the public sector environment, and avoid or disclose them as appropriate. These circumstances may relate to:

    (a)   personal, financial or other interests or relationships that conflict with the SAI's interests;

    (b)   acceptance of gifts or gratuities;

    (c)   abusing power for personal gains;

    (d)   involvement in political activities, participation in pressure groups, lobbying, etc.;

    (e)   access to sensitive and/or confidential information;

    (f)   access to, and use of, valuable resources of the SAI.

Clause 30: Staff need to acquaint themselves with the SAI's policies, regulations and rules related to integrity and are responsible for supporting and complying with them. Complying with the SAI's policies, regulations and rules is not just a formal process, but also takes into account the goal of these policies, regulations and rules.

Clause 31: Staff need to know whom to consult with issues related to integrity, for example for advice or to report concerns or suspicions of integrity violations.

Clause 32: To ensure that integrity controls remain current, it is important that the SAI's leadership and staff participate in regular training, meetings and events to promote a culture of integrity and to learn about new risks and specific cases.

Clause 33: If staff feel that integrity control weaknesses exist within the SAI, they bring these to the attention of ethics advisors or the SAI's management.

Criteria

    1.   Is integrity an explicit requirement for all positions in the SAI?

    2.   Is integrity part of the introduction programme for new members of SAI staff?

3. Are regular training courses given to Staff to consider integrity?

4. Are staff in vulnerable positions informed of particular risks and counter measures?

5. Do staff get special assistance and/or council to cope with integrity risks?

II. PROMOTING INTEGRITY THROUGH SUPPORTING AND CONTEXT CULTURE

A. Integrity Demonstrated by Leadership and Practiced by Staff

It is recognized that the SAI leadership should lead by example, not only in their communication, but also in their decisions, which should at every time demonstrate their willingness to pay due attention to integrity. Following practical instruments can serve in preserving integrity in the SAI:

– Staff declarations regarding their personal interests or links that could impede or be perceived as impeding their integrity as far as SAI audit and non-audit functions are concerned.
– Whistle blowing and appropriate related safeguards

Criteria

1. Does the SAI have a policy of having declarations from the leadership and staff regarding them being aware of integrity issues and their commitment to follow the same?
2. Is there a whistle blowing policy in the SAI with adequate protection for whistle blowers?

B. Ethics Control System

ISSAI 30 reference-Clause 26: To promote integrity, a SAI implements and maintains an ethics control system, consisting of a well-balanced set of measures and controls. The "Overall responsibilities of Supreme Audit Institutions" section of this standard describes the main components that are relevant to the SAI at the organisational level.

Criteria

1. Is there an Ethics Control System in the SAI with a set of well defined measures and controls?

III. MONITORING AND ACCOUNTABILITY ON INTEGRITY

SAI leadership should exercise overall responsibility of ethic control system, and report on integrity issues and weaknesses to appropriate bodies. SAI should also, on a regular basis, conduct a self or independent assessment of it integrity system and procedures, in order to identify main risky areas concerning integrity, and address them through valuable recommendation. This could be undertaken with a tool such as INTOSAINT.

Criteria:

1. Does SAI senior management receive reports to account for the integrity policy conducted?
2. Do staff representatives receive reports to account for the integrity policy conducted?

3. Do democratically elected authorities (parliament, municipal council, etc.) receive reports to account for the integrity policy conducted?
4. Are the reports systematically structured and containing clear indicators?
5. Is the integrity system periodically audited by an internal auditor?
6. Is the integrity system periodically reviewed by an external auditor and/or supervisor?
7. Is the integrity system periodically monitored or evaluated by management?

IV.   FOLLOWING UP ON CASES OF INTEGRITY BREACHES

Appropriate mechanisms should be put in place in the SAI for dealing with **misconduct** accordingly with what was planned in the code of ethics concerning integrity, and consistently with awareness raising and communication continuously carried out on integrity within the organization. As well as preventive measures to stop integrity violations occurring, the SAI should be fully prepared for an integrity violation or the suspicion of one. An effective response to a violation (whether real or suspected) will also help prevent future violations. It confirms the values and standards and encourages staff to resist temptation

If **repressive measures** are to be taken against a staff charged with integrity misconduct, they have to be pronounced only after a fair and contradictory procedure, and undertaken by an appropriate instance (be it a specialized ethics unit/position or an ad hoc board). Following up should also concern cases of remarkable positive examples. Those should appropriately be taken into consideration when setting criteria to award staff with distinctions other kind of incentives.

Criteria:

1. Is a notification procedure in place for employees to report suspected violations ("whistle blowers" procedure)?
2. Are managers accessible by employees to report suspected violations?
3. Is an integrity counsellor involved in the notification of violations?
4. Is there a procedure for handling signals and complaints from external sources?
5. Is there a protocol to investigate integrity violations?
6. Are integrity violations recorded centrally?
7. Does the organisation always respond to integrity violations?
8. Are suspicions of criminal offences reported to the public prosecutor or the police?
9. Are incidents evaluated and discussed with staff involved?

PART V. INDEPENDENCE AND OBJECTIVITY

1.   DEFINITION OF INDEPENDENCE AND OBJECTIVITY

Independence and objectivity are two linked concepts in ISSAI 30. They are defined as "**being free from circumstances or influences that could compromise, or may be seen as compromising professional judgement, and to act in an impartial and unbiased manner.**"

2.   INDEPENDENCE AND OBJECTIVITY IN ISSAI 30

The following principles have been developed in ISSAI 30 to provide SAIs with Knowledge about what should be appropriate behaviour when handling independence and objectivity.

Clause 34. Requirements at the level of SAI

(a) The SAI shall be independent as regards its status, mandate, reporting, and management autonomy. The SAI shall have full discretion in the discharge of its functions. This independence shall be prescribed by an appropriate and effective constitutional, legal and regulatory framework. The SAI shall adopt policies for its independent and objective functioning.

(b) The SAI shall establish a framework to enable the identification of significant threats to independence and objectivity, and the application of controls to mitigate them, as well as provide guidance and direction for staff in this respect.

(c) The SAI shall adopt policies to ensure that audit staff, particularly at senior level, do not develop relationships to audit entities that may put their independence or objectivity at risk.

(d) The SAI shall not provide advisory or other non-audit services to an auditee, where such services would include assuming management responsibilities.

Clause 35. Requirements at the level of SAI staff

(a) SAI staff shall be free of impairments to independence and objectivity, whether real or perceived, that result from political bias, participation in management, self-review, financial or other personal interest, or relationships with, or undue influence from, others. For this purpose SAI staff shall:

    i. maintain independence from political influence and be free from political bias;

    ii. not be involved in the auditee management's decision-making;

    iii. not audit their own work;

    iv. avoid auditing entities in which they have recently been employed, without appropriate safeguards;

    v. avoid circumstances where personal interests could impact decision-making;

    vi. avoid circumstances where relationships with the management or personnel of the auditee or other entities could impact decision-making;

    vii. refuse gifts, gratuities or preferential treatment that could impair independence or objectivity.

(b) SAI staff shall identify possible threats and situations in which their independence or objectivity may be impaired.

(c) SAI staff shall inform the management about any pre-existing relevant relationships and situations that may present a threat to independence or objectivity.

3. IMPLEMENTATION OF INDEPENDENCE AND OBJECTIVITY

A. Independence and objectivity are part of a code of ethics

As in the case of all the four other ethical values for an SAI, independence and objectivity should explicitly be mentioned in the SAI Code of ethics or equivalent instrument, with a clear definition of its meaning and implications in the SAI's specific legal context and mandate, accordingly with what is stated in ISSAI 30.

B. Mechanisms for implementing independence and objectivity

The basic principle for protection of the independence of an SAI as an ethical value, can be found in ISSAI 10. As discussed above, ISSAI 30 also provides general guidance for application of independence and objectivity, both at the SAI and at the staff level. To promote independence and objectivity, a SAI must take into consideration, both independence in fact and independence in appearance.
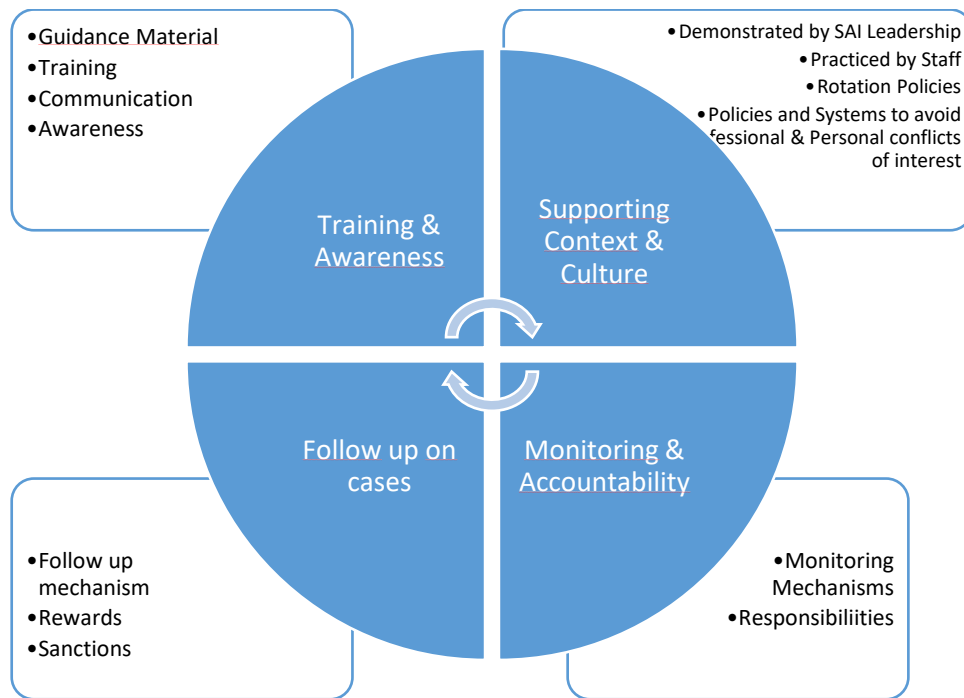
As per Clause 36- Independence in fact is a situation where individuals are able to perform activities without being affected by relationships that can influence and compromise professional judgement, allowing them to act with integrity and exercise objectivity and professional scepticism. Independence in appearance is the absence of circumstances that would cause a reasonable and informed third party, having knowledge of relevant information, to reasonably doubt the integrity, objectivity or professional scepticism of the auditor(s), or conclude that they have been compromised.

Clause 37 states- Objectivity is the mental attitude where individuals are able to act in an impartial and unbiased manner, presenting or assessing things on the basis of facts rather than own feelings and interests, without subordinating judgement to others.

Responsibility regarding independence and objectivity at the SAI and at the staff level shall be undertaken in each of the following areas:

- Training and awareness
- Supporting and context culture
- Follow up on cases
- Monitoring and accountability

Figure 5-1 Mechanisms for Implementation of Independence and Objectivity

- Guidance Material
- Training
- Communication
- Awareness

- Demonstrated by SAI Leadership
- Practiced by Staff
- Rotation Policies
- Policies and Systems to avoid fessional & Personal conflicts of interest

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- Follow up mechanism
- Rewards
- Sanctions

- Monitoring Mechanisms
- Responsibiliities

I. INCLUDING INDEPENDENCE AND OBJECTIVITY IN TRAINING AND RAISING AWARENESS

Protection of independence and objectivity is key to the functioning of an SAI. Investment should be made in cultivating the feeling of independence within the SAI, and from the perception of the different stakeholders and the public in general. Attention should be paid to training and educating SAI staff so that they can respond correctly if faced with independence and objectivity impairs or associated risks. Due attention should also be paid to raising the awareness of different stakeholders and of the public on the necessity to have an independent SAI for citizens to benefit with an impact on their lives from the SAI mission (ISSAI 12).

ISSAI 30 reference- Clause 49 states- Staff are expected to prevent or avoid threats to independence or objectivity. When any uncertainty exists about an independence or objectivity issue, or the way to resolve it, and before reporting on that, SAI staff are advised to consult with the ethics advisor or other appropriate parties to help them assess the significance of the threat and determine an appropriate means of mitigation.

Criteria

1. Are independence and objectivity explicit requirements for all positions in the SAI?

2. Are independence and objectivity part of the introduction programme for new members of SAI staff?

3. Are regular training courses given to Staff to consider independence and objectivity?

4. Are staff in vulnerable positions informed of particular risks and counter measures regarding independence and objectivity?

5. Do staff get special assistance and/or counselling to cope with independence and objectivity risks?

II. PROMOTING INDEPENDENCE AND OBJECTIVITY THROUGH SUPPORTING CONTEXT & CULTURE

A. Independence Demonstrated by Leadership and Practiced by Staff

Independence and objectivity shall unequivocally be mentioned, demonstrated and protected at all the levels and in all the processes the SAI is involved in. It concerns at the same time SAI leadership, who must act accordingly in decision-making, and staff, who shall comply with its requirements while conducting or involved in the SAI core process of auditing (planning, examination, reporting and following up), exercising quality control or quality assurance, and dealing/communicating with SAI stakeholders.

Criteria

1. Is the existence and independence of the SAI embedded in the Constitution and other appropriate legal instrument (ISSAI 10; principle 1)?
2. Does the legal framework in place guarantee:
- The independence of SAI heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties (ISSAI 10, principle 2)?
- A sufficiently broad mandate and full discretion, in the discharge of SAI functions (ISSAI 10, principle 3)?
- Unrestricted access to information (ISSAI 10, principle 4)?
- The right and obligation to report on the SAIs work and the freedom to decide the content and timing of audit reports and to publish and disseminate them (ISSAI 10, Principle 5/6)?
- Financial and managerial/administrative autonomy and the availability of appropriate human, material, and monetary resources (ISSAI 10, principle 8)?

B. Rotation policies

The importance of rotating key audit personnel is to reduce the risk of familiarity with the organisation being audited. This is the main benefit of rotation policies. However, the rotation concept could be implemented in several ways, for example, setting a maximum period for auditing the same institution, that can be two, five or seven years, determining compulsory mobility for auditors after a period of five, seven or eight years in the same department, and defining compulsory mobility for management posts after a period of seven years.

Beyond reducing the risk of familiarity with the audited entities, the rotation policies could enhance staff capability. The research indicated that managerial competencies can be developed in a job rotation programme. Participants' experience was that job rotation as a developmental tool is characterized by fast pace of change, level of uncertainty and importance of taking initiatives. Building on the

characteristics, the factors behind competence development could be derived. The most important factors driving the development were exposure to various environments and facing constant challenges. Especially competencies in the clusters of self management and cognitive intelligence developed highly during the programme, according to participants' perceptions (Mari Kattilamaki 2009)[6].

C. Policies and Systems to avoid Professional & Personal Conflicts of Interest

Political Activity

Reference to ISSAI 30-Clause 43: Notwithstanding the organisational safeguards in place to minimise political pressure, a SAI's leadership and staff are responsible for identifying situations where personal political views may impair their independence or objectivity, and where their political views and activities may put the reputation of the SAI and the credibility of its work at risk.

Reference to ISSAI 30-Clause 44: Involvement in political activities may impact the ability of a SAI's leadership or staff to discharge their professional duties impartially. Even where they are allowed to be affiliated with and to participate in such activities, they need to be aware that these situations may lead to professional conflicts. Independence in appearance is as important as independence in fact: participation in public political activities, public expression of political views or candidacy for election to public office may be perceived by stakeholders as having an impact on a SAI's ability to form unbiased judgements.

Criteria

1. Are there policies and procedure to identify situations where personal political views may impair the independence or objectivity of the staff, and where their political views and activities may put the reputation of the SAI and the credibility of its work at risk?
2. Are staff members aware that these situations may lead to professional conflicts?
3. Is SAI management systematically informed of participation of its staff in public political activities, public expression of political views or candidacy for election to public office, and is taking due measures to address such cases?

Participation in auditee's management

Reference to ISSAI 30- Clause 45: Management responsibilities involve leading, directing and controlling an entity, including making decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources. These responsibilities need to remain firmly with the management of the auditee. The following are examples of circumstances related to an auditee's management that may impair the independence or objectivity of SAI staff:

(a) a member of an audit team who is, or recently was, a principal or senior manager at the auditee;

(b) a SAI staff member who serves as a voting member of an auditee's management committee or board of directors, making policy decisions that affect the future direction and operation of the entity's programmes, supervising the entity's employees, developing or approving policy, authorising the entity's transactions, or maintaining custody of the entity's assets;

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[6] See Mari Kattilamaki (2009) Job rotation as a tool for developing managerial competencies - Case international trainee programme
https://aaltodoc.aalto.fi/handle/123456789/314

(c) a SAI staff member who recommends a single individual for a specific position that is key to the auditee, or otherwise ranking or influencing the management's selection of the candidate;

(d) a SAI staff member who prepares an auditee's corrective action plan to address deficiencies identified in the audit

Criteria

1. Are there policies or procedures to prevent auditors or SAI members from participating in any manner in leading, directing and controlling an entity covered by their mandate, including making decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources?

2. Are circumstances related to staff members' previous work that may impair their independence or objectivity appropriately handled, such as:

D. Having been personally involved in the specific activity becoming the subject matter of the audit?

E. Having recently been an employee of the auditee?

F. Having recently audited the same subject matter when working for a different audit organisation?

Auditing own work

Reference to ISSAI 30- Clause 46: Circumstances related to staff members' previous work that may impair their independence or objectivity are, among others:

(a) having been personally involved in the specific activity becoming the subject matter of the audit;

(b) having recently been an employee of the auditee;

(c) having recently audited the same subject matter when working for a different audit organisation.

Criteria

1. Is there a system to record the previous professional activities of auditors so as to know their conflict of interest in taking up an audit?

Personal interests

Reference to ISSAI 30- Clause 47: Examples of circumstances under which personal interests may impair independence or objectivity are staff:

(a) entering into employment negotiations with the auditee or another entity that the SAI has a contractual or other relationship with;

(b) being responsible for audit engagements or opinions, the outcome of which can have an impact on the financial or other interests of that individual;

(c) engaging in outside business or other non-audit activity with respect to an auditee or another entity that the SAI has a contractual or other relationship with, the outcome of which can have an impact on their financial or other interests;

(d) having a direct financial interest in the auditee or in another entity that the SAI has a contractual or other relationship with.

Criteria

1. Is there a 'cooling off' period before which the SAI staff can take up employment in auditee organisations?

2. Are there clear rules regarding conducting private business or other alternate professional activities?

Relationships with management or personnel of an auditee or another entity that the SAI has a contractual or other relationship with

Reference to ISSAI 30- Clause 48: Close private or professional relationships with an auditee or another entity that a SAI has a contractual or other relationship with, or relationships that can result in undue influence on the part of someone outside the SAI, may impair the independence or objectivity of staff. This may occur, for example, when a SAI staff member:

    (a) has a close or long personal or professional association with managers or staff who have an influential position in an auditee or another entity that the SAI has a contractual or another relationship with;

    (b) has a close family member or friend who is a manager or employee with an influential position in an auditee or another entity that the SAI has a contractual or another relationship with;

    (c) accepts gifts, gratuities or preferential treatment from managers or employees of an auditee or another entity that the SAI has a contractual or another relationship.

Criteria

1. Are the SAI staff required to make declarations regarding their relationships with auditee personnel?
2. Are close private or professional relationships with an auditee or another entity that a SAI has a contractual or other relationship with, handled accordingly?
3. Are relationships that can result in undue influence on the part of someone outside the SAI appropriately managed and taken into consideration?
4. Is there a mechanism to record the gifts received by SAI Staff?

III.   MONITORING AND ACCOUNTABILITY ON INDEPENDENCE AND OBJECTIVITY

1. Does the SAI Leadership conducts a review of its independence and objectivity at specific intervals and are these reviews followed up?
2. Have proper responsibilities been defined for monitoring the independence and objectivity of SAI leadership and staff?
3. Are any reports regarding independence and objectivity of SAI personnel submitted to the SAI leadership?

IV.   FOLLOWING UP ON SIGNIFICANT IMPAIRMENTS TO INDEPENDENCE AND OBJECTIVITY

Appropriate mechanisms should be put in place in the SAI for dealing with serious impairs to its independence an objectivity, which could lead to a loss of its credibility not only in the perspective of its most relevant stakeholder, but simply in the perception of the public in general.

ISSAI 30 reference- Clause 49 states- Staff are expected to prevent or avoid threats to independence or objectivity. When any uncertainty exists about an independence or objectivity issue, or the way to resolve it, and before reporting on that, SAI staff are advised to consult with the ethics advisor or other appropriate parties to help them assess the significance of the threat and determine an appropriate means of mitigation.

Criteria

Are there policies or procedure allowing SAI staff to consult with the ethics advisor or other appropriate parties to help them assess the significance of the threat and determine an appropriate means of mitigation, when any uncertainty exists about an independence or objectivity issue?

PART VI. COMPETENCE

1. DEFINITION OF COMPETENCE

Competence is another fundamental ethical value which is recognised by ISSAI 30. **The definition of competence in ISSAI 30 is to acquire and maintain knowledge and skills appropriate for the role, also act in accordance with applicable standards with due care**.

2. COMPETENCE IN ISSAI 30

The requirement of competence is based on both level of SAI and SAI staff in order to conduct SAIs in carry out competence in practices as follows.

Clause 50: Requirements at the level of SAI

(a) The SAI shall adopt policies to ensure that tasks required by its mandate are performed by staff that have the appropriate knowledge and skills to complete them successfully, including:

i. putting in place competence-based recruitment and human resources policies;

ii. assigning work teams that collectively possess the needed expertise for each assignment;

iii. providing staff with appropriate training, support and supervision;

iv. providing tools to enhance knowledge and information sharing, and encourage staff to use these tools;

v. addressing challenges arising from changes in the public sector environment.

Clause 51: Requirements at the level of SAI staff

a) SAI staff shall perform their job in accordance with applicable standards and with due care.

(b) SAI staff shall act in accordance with the requirements of the assignment, carefully, thoroughly and on a timely basis.

(c) SAI staff shall maintain and develop their knowledge and skills to keep up with the developments in their professional environment in order to perform their job optimally.
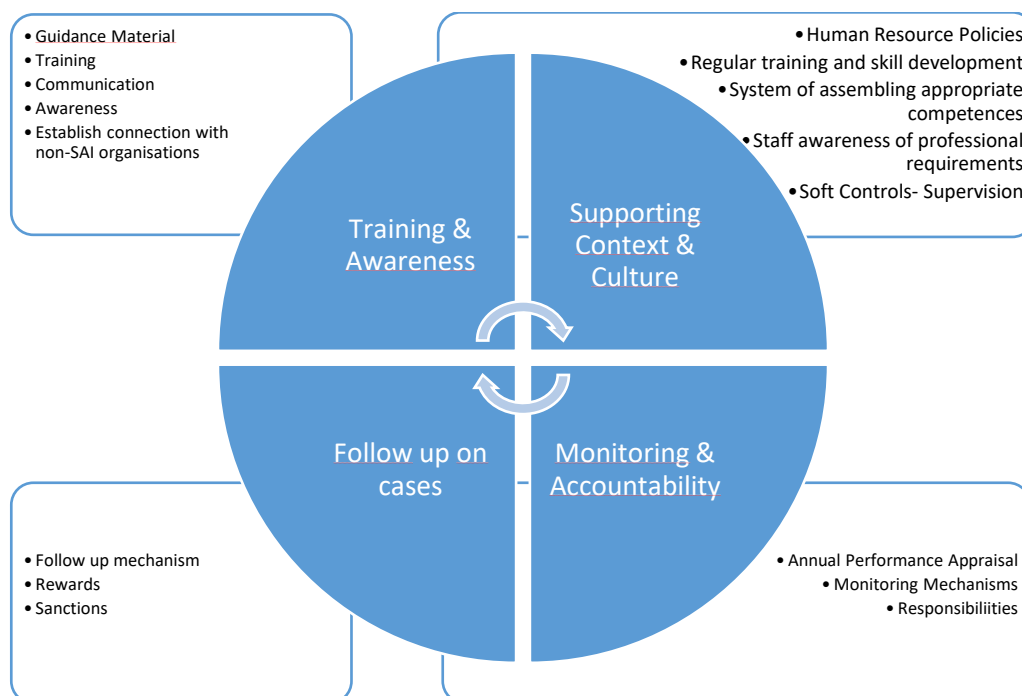
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3. IMPLEMENTATION OF COMPETENCE

a. Competence is part of a code of ethics

The first time that INTOSAI suggested a code of ethics was in 2001 which the Auditing Standards Committee at the XVIth Congress of INTOSAI in 1998 Montevideo, Uruguay[7]. The competence of auditors is of fundamental importance in code of ethics which explained auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality. Likewise, auditors should know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices. Additionally, they must possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.

SAIs need to incorporate Competence as a value in the Code of Ethics in line with the requirements of ISSAI 30.

b. Mechanisms for implementing competence

In ISSAI 30, it delivers application guidance of competence under both at the SAI and SAI staff levels. To strengthen competence, SAIs should be bringing together the appropriate competences in order to confirm that their tasks are performed by competent staff. Especially, SAI should identify the required knowledge and skills needed to perform each type of engagement required as per mandate. The four aspects for implementing competence are as follows:

Figure 6-1 Mechanism for Implementation of Competence

- Guidance Material
- Training
- Communication
- Awareness
- Establish connection with non-SAI organisations

- Human Resource Policies
- Regular training and skill development
- System of assembling appropriate competences
- Staff awareness of professional requirements
- Soft Controls- Supervision

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- Follow up mechanism
- Rewards
- Sanctions

- Annual Performance Appraisal
- Monitoring Mechanisms
- Responsibiliities

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[7] Please see Note to ISSAI 30, http://www.issai.org/media/13411/notes_to_issai_30_e.pdf

I.   TRAINING AND AWARENESS

The importance of incorporation of the different values in the guidance and training materials and dissemination through appropriate means has been considered against the previous values. In this section, a distinction is necessary for training in professional skills and competencies instead of just the values of Ethics as relevant to the other values. That is however covered under Supporting Context & Culture. The importance of establishing connections and coordination with other non-SAI organisations is also mentioned.

A. To establish the connections with other non-SAI organization in order to share experience about raising awareness in ethical values.

Besides traditional training in SAI, in the future SAI should establish connections with other non-SAI organizations. Sharing of experience and raising awareness in ethical values can strengthen competence for SAI and SAI staff levels.

EUROSAI Task Force on Audit an Ethics (2014, 13) explained the benefit of connections with other non-SAIs that it could be an aspect of notable importance which allow for the identification of other experiences in terms of method utilised in raising awareness on ethics and ethical related issues. The types of connections could be as follows:
- Contact and joint work with anticorruption agencies;
- Exchanging experiences among ethics commissioners;
- Joint workshops and meetings with other non-SAI organisations;
- Reports and exchanges of information on resolving doubtful situations; and
- Fostering cooperation among NGOs, public and private sectors with respect to ethics-related issues.

Criteria

1. Does the SAI have a system of sharing of experience and expertise in implementation of Ethics with other non-SAI organisations?

B.   PROMOTING COMPETENCE THROUGH SUPPORTING CONTEXT AND CULTURE

A. To include SAI's ethical principles in human resources management policies and procedures

From ISSAI 30, the competence value seems to be discussed about human resource management indirectly. It mentioned the assembling the appropriate competence that tasks are performed by competent staff, that resources are managed in an efficient and effective way, and that staff work on assignments for which they are competent. In the meantime, SAI staff should know the applicable technical, professional and ethical standards. For these reasons, the supporting and context culture could strengthen the competence value by including SAI's ethical principles in human resource management policies and procedures.

Thus, SAI's Human Resources policies and procedures should give appropriate emphasis to commitment to the SAI's ethical principles, and these policies and procedures include recruitment, performance evaluation, professional development, ethical competence, career development, promotion and compensation. For example, when SAI will recruit auditor, it could screen reactions to ethical dilemmas during examinations and interviews.

Criteria

1. Does the SAI have Human Resources and recruitment policies for ensuring recruitment of competent personnel?

B.   Regular training and skill development of staff for improving and maintaining competence

Under the competence value in ISSAI 30, it is discussed that a SAI must assemble the appropriate competences needed as well as provide support to continuing professional development. Likewise, it may need to invest time and resources to remain current in competencies like information technology, and evolving public sector management and accounting frameworks. In order to continue professional development, ISSAI 30 suggests several channels for a continuous learning environment to support staff in applying and developing their competence, for example, implementing personal development plans, initiating and continuous training strategies and programs in key areas for the SAI performance .

ISSAI 30 Reference- Clause 55: Maintaining and developing professional competence is a key way to keep up with technical, professional and business developments, to respond to a changing environment and increased stakeholders' expectations. Examples of fields where the SAI may need to invest time and resources to remain current include information technologies, and evolving public sector management and accounting frameworks.

Clause 56: A continuous learning environment to support staff in applying and developing their competence is implemented by:

  (a)   initial and continuous training strategies and programmes in key areas for the SAI's performance;

  (b)   development and updating of manuals and written guidance;

  (c)   coaching, supervision and feedback mechanisms;

  (d)   personal development plans;

  (e)   knowledge-sharing tools, such as Intranet and databases.

Criteria

1. Does the SAI have a system of skill development and training for its staff for developing and maintaining their competencies?
2. Is there a system of reviewing the professional needs of the SAI Staff?

C.   System of Assembling the appropriate competences

For the SAIs to be able to meet the trust of their stakeholders, it is essential for them to have a system where competent staff are allotted for specific audits.

ISSAI 30 Reference-Clause 53: In order to ensure that tasks are performed by competent staff, that resources are managed in an efficient and effective way, and that staff work on assignments for which they are competent, the SAI:

(a) identifies the adequate knowledge and skills needed to perform each type of engagement required by its mandate; this may include setting up multidisciplinary teams that collectively have the required knowledge and team-working skills;

(b) assigns staff to specific tasks according to their identified capabilities and according to their capacities.

Clause 54: Some tasks, for example performance audits and special investigations, may require specialised techniques, methods or skills from disciplines not available within a SAI. In such cases, external experts may be used to provide knowledge or carry out specific tasks.

Criteria

1. Does the SAI have a record of skill set of staff for allocating them to specific audits?

2. Are the staff allotted to specific audits on the basis of their professional competence?

D. Staff made aware of the professional requirements

Before taking up assignments, the staff should be made aware of the professional requirements, so that they are adequately prepared for the assignment.

ISSAI 30 Reference-Clause 57: In meeting the requirements, SAI staff:

(a) understand the role and tasks to be performed;

(b) know the applicable technical, professional and ethical standards to be followed;

(c) are able to work in a variety of contexts and situations, depending on the requirements of the job or task;

(d) acquire new knowledge and abilities, updating and improving skills as needed.

Clause 58: In case their expertise is not appropriate or sufficient to perform a specific task, SAI staff raise this with their superiors or the responsible management.

Criteria

1. Is there a system of discussion of professional requirements with the SAI staff with regards to their undertaking specific assignments?

E. To create soft controls for ethical behaviour

In order to achieve requirements at SAI level of competence, SAI should create the soft controls for ethical behaviour. Especially, SAI should provide appropriate support and supervision. The soft controls are also aimed at awareness and the moral competence of employees.

Criteria

1. Does the SAI have a system of providing supervision for audits?

C. MONITORING AND ACCOUNTABILITY

A. To include ethical considerations in the assessment criteria for the annual performance appraisal

Monitoring is an important mechanism by which SAI should support continuing professional development. In order to achieve requirements of SAI level, SAI should include ethical considerations in the assessment criteria for the annual performance appraisal. For example, the use of ethics-related assessment criteria include (also listed are values other than competence):

- Sense of responsibility;

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

Criteria

1. Does the SAI have a proper system of Annual Performance Appraisal of employees with specific indicators related to their competence?

D. FOLLOW UP ON CASES

A. To use the reward system

A tool for supporting follow up on case is to establish the reward system. This system has three main objectives: to attract new employees to the organisation, to elicit good performance, and to maintain commitment to the organisation[8]. The reward system is a tool to follow up knowledge development and information sharing. Also it could encourage staff to show their competency. Hence, SAI should have a suitable reward scheme to commend or reward employees who meet or exceed clearly defined and transparent standards of high performance. In addition, it may consider the following incentives for high performers: additional financial remuneration/benefits, promotion, extra training courses and naming and honoring.

Criteria

1. Does the SAI have a proper system of Rewards based on the performance of the employees?

PART VII. PROFESSIONAL BEHAVIOUR

1. DEFINITION OF PROFESSIONAL BEHAVIOUR

Professional behaviour is the fourth fundamental value of ethical behaviour in ISSAI 30. It is defined as **being in consonance with laws, regulations, and conventions, and to avoid any conduct that may discredit the SAI**[9].

2. PROFESSIONAL BEHAVIOUR IN ISSAI 30

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[8] Please see INTOSAI Capacity Building Committee (2012) Human Resource Management: A Guide for Supreme Audit Institutions. pp. 24
[9]Please see ISSAI 30 Code of Ethics Endorsement version (May 2016), pp. 5

> **Clause 59 Requirements at the level of SAI**
>
> (a) The SAI shall be aware of the standard of professional behaviour expected by its stakeholders, as defined by the laws, regulations and conventions of the society in which they operate, and conduct their business accordingly and in line with their mandate.
> (b) The SAI shall assist staff in adhering to that standard.
>
> Source: ISSAI 30 Code of Ethics Endorsement version (May 2016), P. 16

> **Clause 60 Requirements at the level of SAI staff**
>
> (a) SAI staff shall comply with the laws, regulations and conventions of the society in which they operate, as well as with the guidance for their behaviour established by the SAI.
>
> (b) SAI staff shall not engage in conduct that may discredit the SAI.
>
> (c) SAI staff shall inform their superiors about any arising conflicts between the SAI's and their profession's ethical requirements.
>
> Source: ISSAI 30 Code of Ethics Endorsement version (May 2016), P. 16

3. IMPLEMENTATION OF PROFESSIONAL BEHAVIOUR

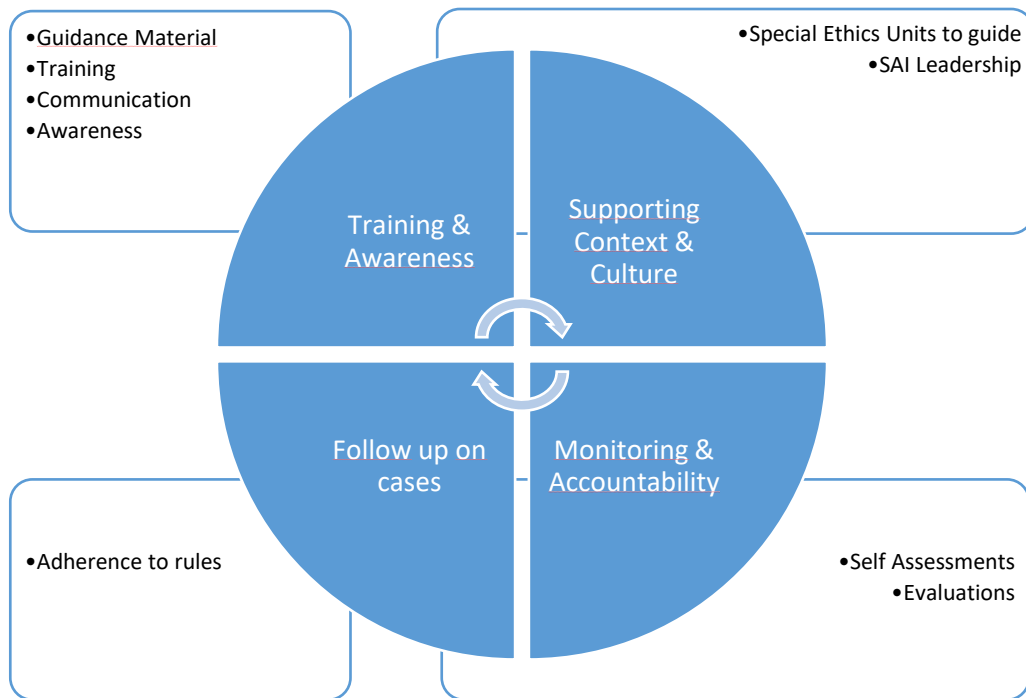#### A. Professional behaviour is part of a code of ethics

The previous version of INTOSAI code of ethics did not mention professional behaviour. It discussed the concept of professional secrecy and professional development. However, the endorsement version in 2016 incorporates professional behavior as one of fundamental ethical values which is required at both SAI and SAI staff levels. The main requirement at SAI level is that SAI shall be aware of the standard of professional behaviour. The key requirement at level of SAI staff is that SAI staff shall not engage in conduct that may discredit the SAI.

B. Mechanisms for implementing professional behaviour

ISSAI 30 delivers application guidance of professional behaviour under both at the SAI and SAI staff levels. To promote professional behaviour, there are four mechanisms for implementing professional behaviour as follows:

- Training and awareness
- Supporting and context culture
- Follow up on cases
- Monitoring and accountability.

Figure 7-1 Mechanisms for implementing Professional Behaviour

- Guidance Material
- Training
- Communication
- Awareness

- Special Ethics Units to guide
- SAI Leadership

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- Adherence to rules

- Self Assessments
- Evaluations

I.   PROFESSIONAL BEHAVIOUR THROUGH TRAINING AND AWARENESS

A. To include ethical framework in training sessions for new employees and all employees around periodic cycles

In order to develop the professional behaviour, ISSAI 30 suggests that SAIs should provide guidance on expected behaviour and implement controls to monitor, identify and resolve inconsistencies. Likewise, the SAI should be aware of the standard of professional behaviour expected by its stakeholders.

Training about ethics makes SAIs and their staff better prepared to ascertain their integrity, to identify ethics-based risks and to gain knowledge about how to prevent unethical conduct.

Reference in ISSAI 30-Clause 64: Staff need to be aware of the SAI's policies and procedures relating to professional behaviour, of the applicable professional standards and of the laws, regulations and conventions of the society in which they reside, all of which bind them within and outside the working environment.

Clause 65: In that context, staff need to understand the impact of their actions on the SAI's credibility and to consider how their behaviour, both within and outside the working environment, may be perceived by colleagues, family and friends, auditees, the media and others. While expectations of what constitutes acceptable professional behaviour may differ depending on whether one is inside or outside the workplace, staff need to consider stakeholders' expectations along with the SAI's mandate when determining a course of action. A Staff member's position within the SAI is an important part of this consideration.

Criteria:

1. Does the system of training on Ethics in an SAI includes issues related to Professional Behaviour such that the staff understand the issue and the implications?

II.   PROFESSIONAL BEHAVIOUR THROUGH SUPPORTING CONTEXT AND CULTURE
A. To establish special ethics units/persons to guide professional behaviour

Even though the SAI includes ethical framework in training sessions, it might be insufficient to promote professional behaviour under ethical model. One of requirements at the level of SAI is that SAI should assist staff in adhering to the standard of professional behaviour. The SAI staff also need to cooperate by sharing relevant knowledge and information within the organisation.

Therefore, the establishment of special ethics units is a good option to support ethical culture. EUROSAI Task Force on Audit and Ethics (2014, 15) has clarified benefits of ethical units as follows;

- ensuring the adequacy of policies and procedures relating to integrity, objectivity and independence;

- promoting the effectiveness of communication to senior management and staff;

- introducing preventive measures and facilitating solutions;

- ensuring compliance with ethical standards;

- reporting cases of conflict of interest and violations of the Code of Ethics; and

- receiving, investigating and keeping records of complaints.

Many SAIs in EUROSAI established special ethics units or integrity actors in order to have a space in the organisational strategy for integrity management. These actors have integrity as their responsibility, have the main task of stimulating integrity and they are typically responsible for core integrity instruments such as codes of ethics, training in ethics or communication about integrity.

Reference in ISSAI 30 Clause 62: To promote the highest standard of professional behaviour and to identify activities that are inconsistent with that standard, the SAI provides guidance on expected behaviour and implements controls to monitor, identify and resolve inconsistencies. Key policies and controls are included in the ethics control system described in the "Overall responsibilities of Supreme Audit Institutions" section of this Code.

Criteria

1. Does the SAI have a functioning Ethics unit/Ethics lead to guide and monitor professional behaviour?

B. Adoption of core Integrity tools and measures

Supporting professional behavior under code of ethics also involves bringing in distinct measures of prevention, detection, prosecution, and sanction into a coherent system which could create integrity culture and fight against corruption. Janos Bertok, Head of Public Sector Integrity Division of OECD[10], suggested that the core integrity tools and measures could support ethical culture for SAI. Core integrity tools and measures include many instruments such as codes of conduct, conflict-of-interest rules, asset disclosure requirements, gifts and gratuities policy, post-employment measures, reporting channels and protection for whistleblowers, integrity training and accessible advice and counselling, etc.

Criteria

1. Has the SAI adopted a system of integrity and ethics to support professional behaviour?
    C. Role of SAI Leadership in leading by demonstrating Professional Behaviour

Reference in ISSAI 30 Clause 63: The leadership of a SAI promotes professional behaviour by adhering to the policies and procedures in place and setting an example.

III.   MONITORING AND ACCOUNTABILITY

A. To suggest ethics-related self-assessment tools or undertake internal or external/independent evaluations of ethics-related performance

In order to promote the highest standard of professional behaviour, SAI should develop and implement a monitoring tool for ethical strategies and policies. This tool could control to monitor, identify and resolve inconsistencies of professional behaviour. For this reason, the ethics-related self-assessment tools will be useful for SAIs to monitor their staffs' professional behaviour. Moreover, other organisations as external or independent agencies may conduct evaluations of ethics-related performance of SAIs.

Criteria

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[10] Please see EUROSAI Task Force on Audit & Ethics. (2014). Supporting SAI to Enhance Their Ethical Infrastructure : Part I A general overview of SAI's ethical strategies and pratices. pp. 6-7

1. Has the SAI conducted any assessments/evaluations to monitor the professional behaviour of its staff?

IV.   FOLLOW UP ON CASES

A. Compliance with established rules be ensured

The follow up on case of violation of professional behaviour, SAI should ensure follow up action in line with the established rules. EUROSAI Task Force on Audit & Ethics (2014) called this concept as the minimal level of any ethical infrastructure: indeed, one can expect from a public body that at the very least no illegal act is committed[11]. Thus, whoever violates law, rules and regulations which performed lacking professional behavior, SAI should use a concept of compulsory provision through disciplinary sanctions strictly.

Criteria

1. Are cases of violation of professional behaviour followed up in line with the relevant rules?

PART VIII. CONFIDENTIALITY AND TRANSPARENCY

1.   DEFINITION OF CONFIDENTIALITY AND TRANSPARENCY

The fifth fundamental value of ethical behaviour is confidentiality and transparency which ISSAI 30 defines in terms of '**to appropriately protect information, balancing this with the need for transparency and accountability**[12]**'**.

2.   CONFIDENTIALITY AND TRANSPARENCY IN ISSAI 30

Like other values, this core element is also based on levels of SAI and SAI staff.

Clause 70 Requirements at the level of SAI

(a) The SAI shall balance the confidentiality of audit-related and other information with the need for transparency and accountability.
(b) The SAI shall establish an adequate system for maintaining confidentiality as needed, especially with regard to sensitive data.
(c) The SAI shall provide that any parties contracted to carry out work for the SAI are subject to appropriate confidentiality agreements.

Source: ISSAI 30 Code of Ethics Endorsement version (May 2016), pp. 17

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[11] Please see EUROSAI Task Force on Audit & Ethics. (2014). Supporting SAI to Enhance Their Ethical Infrastructure : Part II Managing Ethics in Practice analysis. pp. 9

[12]Please see ISSAI 30 Code of Ethics Endorsement version (May 2016), P. 5

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<u>Clause 71 Requirements at the level of SAI staff</u>

(a) SAI staff shall be aware of the legal obligations and of the SAI's policies and guidelines concerning both confidentiality and transparency.
(b) SAI staff shall not disclose any information acquired as a result of their work without proper and specific authority, unless there is a legal or professional right or duty to do so.
(c) SAI staff shall not use confidential information for personal gain or for gain of third parties.
(d) SAI staff shall be alert to the possibility of inadvertent disclosure to third parties of confidential information.
(e) SAI staff shall maintain professional confidentiality during and after termination of employment.

Source: ISSAI 30 Code of Ethics Endorsement version (May 2016), pp. 17-18

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3. IMPLEMENTATION OF CONFIDENTIALITY AND TRANSPARENCY

A. Confidentiality and transparency are part of a code of ethics
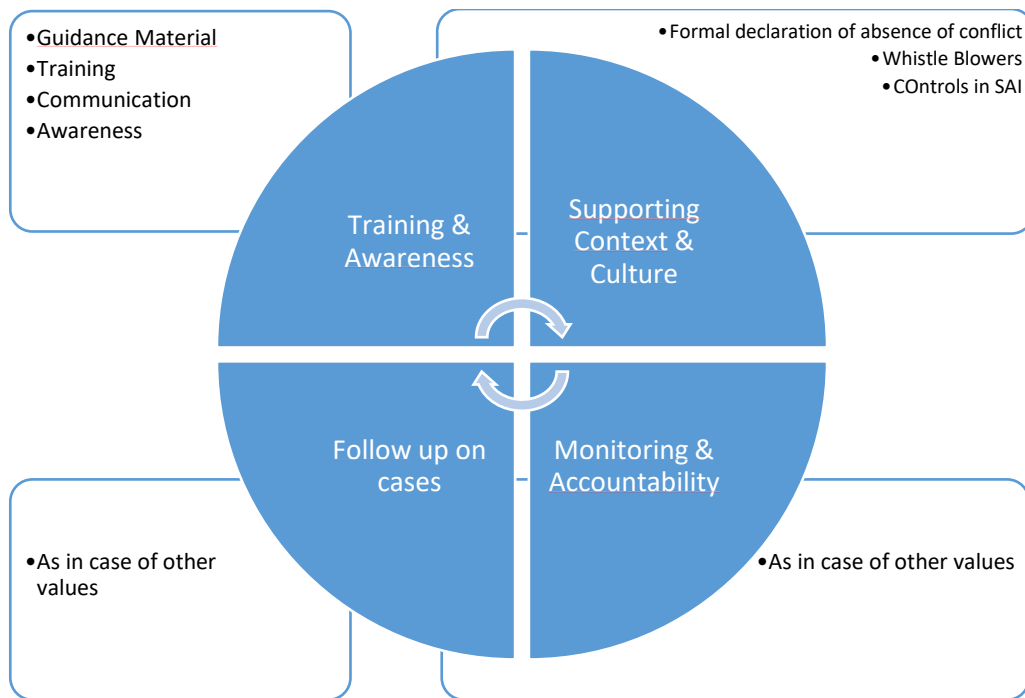
The last version of INTOSAI code of ethics did not have confidentiality and transparency as the core values. However, it discussed these concepts under professional secrecy which emphasized that auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or in accordance with relevant laws. However, the endorsement version in 2016 identified and clarified the confidentiality and transparency as one of fundamental ethical value which is required at both SAI and SAI staff levels. The main point at SAI level is that a SAI needs to recommend policies to appropriately provide or protect information and apply controls to eliminate or reduce to an acceptable level potential risks to confidentiality infringements. SAI staff need to appropriately protect information or not to disclose it to third parties unless they have proper and specific authority, or there is a legal or professional right or duty to do so.

B. Mechanisms for implementing confidentiality and transparency

To enhance confidentiality and transparency, as in the case of other values, the four mechanisms are:

- Training and awareness
- Supporting and context culture
- Follow up on cases
- Monitoring and accountability.

- Guidance Material
- Training
- Communication
- Awareness

- Formal declaration of absence of conflict
- Whistle Blowers
- COntrols in SAI

Training & Awareness

Supporting Context & Culture

Follow up on cases

Monitoring & Accountability

- As in case of other values

- As in case of other values

I.   CONFIDENTIALITY AND TRANSPARENCY THROUGH TRAINING AND AWARENESS

As in the case of other values

II.   CONFIDENTIALITY AND TRANSPARENCY THROUGH SUPPORTING CONTEXT AND CULTURE

a.   To declare the absence of conflict of interest formally

The meaning of confidentiality in ISSAI 30 enjoins to appropriately protect information and balancing this with the need for transparency and accountability. Hence, the requirement at SAI staff level is that he/she shall not use confidential information for personal gain or for gain of third parties. Furthermore, he/she shall maintain professional confidentiality after termination of employment.

Criteria

1. Is there a system of obtaining formal statements of absence of conflict of interest?
2. Are the SAI staff required to give a statement of protection of confidentiality of information with regards to specific assignments.

b.   To recommend the protection of whistle blower who report suspicious case

Under ISSAI 30, the requirement at SAI level explained that the SAI shall provide that any parties contracted to carry out work for the SAI are subject to appropriate confidentiality agreements. Meanwhile, one of example for application is to establish policies for communication with stakeholders, including the media. However, it is necessary to ensure the protection of whistle blowers who report suspicious cases.

c.   Controls in the SAI

ISSAI 30 Clause 73 lists several controls for ensuring confidentiality and transparency in the SAI. These controls can serve as criteria for ascertaining the status in the SAI

a) establishing policies for communication with stakeholders, including the media;
b) regularly emphasising the importance of confidentiality;
c) obtaining appropriate declarations of staff's compliance with confidentiality rules;
d) providing guidance on what information, documents and materials need to be treated as confidential, and the stage of work at which they need to be treated as confidential, which might include a system of classification and labelling of confidential information;
e) consulting with regard to applying confidentiality rules and legal requirements concerning conditions of disclosure;
f) providing guidance and advice for cases when professional obligation to maintain confidentiality may be overridden by other legal responsibilities regulated by national laws, and assigning specific procedures for reporting on such cases;
g) safe storage conditions of information in any form (paper, electronic, audio, etc.);
h) appropriate allocation of access rights to archives, IT systems and physical areas;
i) procedures for disposing of data storage devices, either in paper or electronic form.

III.   MONITORING AND ACCOUNTABILITY

As in the case of other values

IV.   FOLLOW UP ON CASE

As in the case of other values

APPENDIX 1. CASE STUDIES AND GOOD PRACTICES

Case study on integrity in SAI X: Adequacy and effectiveness of the policy and procedures to guarantee integrity of audit staff.

SAI X was created in Country Y in 2005, from the merging of the Federal Oversight Office and the Account bench of the Supreme Court. SAI X reports to the National Assembly. Due to its comprehensive mandate and its wide national coverage, in 2007, 150 students in accounting and social science university were recruited from the university straight after graduation.

6 Months after having being trained in audit methodology and SAI job process, Mr. O, one of those new staff, and nephew of the Auditor General, was involved as deputy team leader in a team tasked to audit a public corporation were his mother stands as member of the Executive board. 3 months before being involved in that audit team, he was appointed as vice-chair of the SAI ethic committee. There is no mandatory procedure requesting SAI X staff to declare or to raise conflicts of interest.

During the audit, an investigative columnist reported this case in a private and credible daily newspaper, and the National Assembly undertook an investigation. Results conducted to the resignation of the Auditor General, and to the dismissal of Mr O from his job. Decision was therefore taken by the National Assembly to undertake an independent assessment of SAI X integrity systems by an expert, using INTOSAINT methodology and SAI PMF. The assessment report recommended the following bridging gap measures:

- To increase awareness raising on integrity issues among staff
- To put in place appropriate declarations system for staff and measures of verification
- To separate incompatible functions or positions within the SAI

In 2011, 4 years after this assessment report was tabled before the Parliament, a follow-up assessment was undertaken to evaluate the implementation of what had been recommended. The results showed significant improvement on the areas of integrity vulnerability in SAI X.

Case study on independence and objectivity in SAI Y: robustness and adequacy of the policy and procedures to protect independence and to guarantee objectivity of the SAI and its staff.

ISSAI 30, founding itself on ISSAI 10, requires that "**the SAI shall be independent as regards its status, mandate, reporting, and management autonomy. The SAI shall have full discretion in the discharge of its functions".**

According to the Constitution of the Republic of Y, SAI Y has a large mandate allowing it to conduct performance audits, compliance audits and financial audits in all the public and parastatal sectors, all over the national territory.

In that SAI, there are 2 procedures to decide to conduct an audit on a particular subject: firstly, according to the annual audit programme approved by the President of the Republic, and secondly on special request of the President of the Republic concerning subject matters that are significant in its perspective, which SAI has to execute, even when resources are not sufficient.

Each year, this situation impacts on the capacity of the SAI to properly fulfil its audit priorities. Moreover, several cases of auditors having biased their findings after having being offered subsidies by the auditees to cover the field work expenses that the SAI cannot afford have been reported.

At the same time, some senior auditors in the SAI are presiding the financial committee of several public corporations falling within the mandate of the SAI, and experts hired to support audit teams in subject matters are often under contract with sectoral departments audited.

The Republic of Y experienced a recent political change, which led to the restructuring of public institutions by the elected regime. The auditor general seized this opportunity to draft, at the demand of the parliament, a new legal framework for the SAI insisting on:

A. the functional independence of the SAI, including concerning decisions to conduct audits;
B. a set of measures to avoid conflicts of interest which could impair the objectivity of the auditors.

SAI Malta and including SAI's ethical principles in human resources management policies and procedures

SAI Malta (The Malta National Audit Office) strives to promote ethical conduct within the organisation through its Code of Professional Conduct, which addresses various facets of ethical correctness such as confidentiality, conflicts of interest, independence and objectivity. In addition, this document makes reference to another ethical code, that is, the Code of Ethics for Employees in the Public Sector, which also applies to SAI staffs. Furthermore, SAI staff are all required to take a sworn oath of secrecy precluding them from divulging any information acquired as a result of the execution of their function.

Source : Keith Mecieca in EUROSAI Task Force on Audit & Ethics. (2014). Supporting SAI to Enhance Their Ethical Infrastructure : Part I A general overview of SAI's ethical strategies and practices. pp. 21-22

SAI Turkey and establishing the connections with other non-SAI organization in order to share experience about raising awareness in ethical values.

SAI Turkey (The Turkish Court of Account) has been closely involved with the work of the Turkish Council of Ethics for the Public Service. This Council developed a training package in ethical principles and ethical conduct called "Ethical Leadership Programme". The programme examines ethical principles in a challenging and interactive way by focusing on a series of ethical dilemmas relevant to public service management and explores issues associated with applying ethical principles in practice when faced with a range of conflicting forces and pressures. The training is delivered to public officials and ethics trainers of the public institutions, who deliver further training for staff, cascading the training through the institution. By this approach, it is expected that public officials at all levels of the institutional hierarchy commit to high ethical principles, that training activities reinforce the behaviour expected of employees on a daily basis and that employees can be reassured first hand of acceptable behaviour.

Source : EUROSAI Task Force on Audit & Ethics. (2014). Supporting SAI to Enhance Their Ethical Infrastructure : Part I A general overview of SAI's ethical strategies and practices. pp. 34-35

SAI Sweden (The Swedish NAO) assigned that the Human Resources Department should be the primary administrator of the code of ethics, in cooperation with the Legal Department. Those responsibilities should aim at supporting the line organisation, which should be accountable for ethics as part of daily operations.

SAI Netherlands (the Netherlands Court of Audit) established the integrity policy as a typical practice. Under this policy, there is an **Integrity Coordinator**, who assists the management in formulating the integrity policy, coordinates the implementation of this policy and develops and maintains the integrity management system (organisational measures and organisational culture). There are also several confidential advisors on integrity with the role of advising employees about integrity dilemmas or any other integrity related questions or problems. The confidential advisors could help them to report on abuse, punishable acts or undesirable behaviour. Furthermore, these advisors will make sure reports reach the right people and guide the direction of management. They work on the basis of anonymity and independence and treat all the information in the strictest confidence. Regularly, the integrity coordinator meets with the confidential advisors in order to check if the integrity policy is still relevant and adequate/right soft controls are in place.

SAI Romania (the Romanian Court of Accounts) established an Ethics Committee under the authority of the Plenum, with the role of: (a) raising awareness on ethics and integrity, (b) identifying the areas and provisions of the code of ethics where improvements are needed (c) preventing the possible breaches to code of ethics, by providing advice and guidance (d) monitoring and controlling the ethical conduct of auditors, including by identifying noncompliance situations. This Committee deals with a lot of tasks, from advice to training, monitoring, evaluating, reporting, etc. It receives statements, reports, notifications, complaints and surveys and produces quarterly basis and annual reports, highlighting relevant issues to be considered.

Source : EUROSAI Task Force on Audit & Ethics. (2014). Supporting SAI to Enhance Their Ethical Infrastructure : Part I A general overview of SAI's ethical strategies and practices. pp. 41-45