



– Practice Guide

# EVALUATING ETHICS-RELATED PROGRAMS AND ACTIVITIES

JUNE 2012



## Table of Contents

Executive Summary.....	1
Introduction .....	2
Definitions .....	2
Responsibilities for Ethical Climate.....	3
Considerations for an Audit of Ethics .....	10
Appendix A: Examples of Audit Tools in Evaluating Organizational Ethics ....	13
Appendix B: Pertinent Strongly Recommended Guidance .....	27
Authors and Reviewers .....	29



## Executive Summary

A strong ethical culture is the foundation of good governance. An ethical culture is created through a robust ethics program that sets expectations for acceptable behaviors in conducting business within the organization and with external parties. It includes effective board oversight, strong tone-at-the-top, senior management involvement, organization wide commitment, a customized code of conduct, timely follow-up and investigation of reported incidents, consistent disciplinary action for offenders, ethics training, communications, ongoing monitoring systems, and an anonymous incident reporting system.

IIA Standard 2110.A1 requires that the internal audit activity evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities. This Practice Guide provides guidance for evaluating program effectiveness and compliance; it includes a potential audit approach, procedures, tools, and techniques. It is developed based on both Mandatory and Strongly Recommended Guidance incorporated in The Institute of Internal Auditors' (IIA's) International Professional Practices Framework (IPPF).

### Key Roles of Internal Audit in Organizational Governance

As stated in IIA Standard 2110: Governance, internal audit is responsible for assessing the governance process and recommending improvements to promote appropriate ethics and values within the organization.

The internal audit activity may fulfill these responsibilities by:

- Assessing the state of the organization's ethical climate and the effectiveness of its strategies, tactics, communications, and other processes in achieving the desired level of legal and ethical compliance.

- Evaluating the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.
- Providing assurance that ethics programs achieve stated objectives, key risks are effectively managed, and controls continue to operate effectively.
- Providing consulting services to help the organization establish a robust ethics program and improve its effectiveness to the desired performance level.
- Serving as a role model and ethics advocate. Internal audit has a high level of trust, integrity, and competence to advocate appropriate conduct to comply with the organization's legal, ethical, and societal responsibilities and promote appropriate ethics and values.
- Serving as a subject matter expert on ethics-related issues and as a member of the organization's ethics council (or equivalent).
- Acting as a catalyst for change, promoting and recommending enhancements for the organization's governance structure and practices.

There are numerous governance and ethics-related regulations around the world. Violations may create significant reputation impairment and heavy penalties for an organization. Internal audit can provide substantial value by assuring senior management and the board that effective ethics programs are in place and operating effectively.

### Target Audience

Ethics is an integral part of organizational governance. The four pillars of organizational governance — the board, management, internal audit, and external audit — along with other stakeholders such as regulators, shareholders, business partners, suppliers, and service providers, should be knowledgeable about matters concerning an organization's business ethics.

## INTRODUCTION

This guide provides internal auditors with a framework for the evaluation of ethics-related programs and activities. Because various countries and cultures have different views of what is considered ethical behavior, the guide provides a range of examples, definitions, and principles that are not meant to be comprehensive but to provide a platform on which internal auditors can build their evaluations. The principles apply equally to the public and private sectors.

### IIA's Code of Ethics for Internal Auditors — Practice What We Preach

While this Practice Guide focuses on internal auditors' evaluation of the design, implementation, and effectiveness of an organization's ethics-related objectives, programs, and activities, it is appropriate to highlight the importance of ethics for internal audit professionals. The IIA's Code of Ethics underlies the conduct of internal audit work and compliance with the Code is mandatory.

Compliance with the Code of Ethics is mandatory because of the trust placed by internal and external stakeholders in the internal audit profession and the activity. Internal audit must be viewed as a role model and an advocate of strong ethics. Compliance with the IPPF is consistent with other professional bodies' requirements to follow a strong standards framework.

The IIA's Code of Ethics is applicable to the internal audit activity and its staff. Internal auditors must apply the principles to all aspects of their work and their relationships with the audit committee, management, employees, and other stakeholders. Noncompliance can result in disciplinary actions, including expulsion from The IIA and withdrawal of the Certified Internal Auditor (CIA) designation.

### Pertinent IPPF Elements

While the *International Standards for the Professional Practice of Internal Auditing (Standards)* in its entirety is applicable to evaluating ethics programs, there are some standards, Position Papers, Practice Advisories, and Practice Guides that are directly related to assessment of ethics-related objectives, programs, and activities. Some require advance considerations during engagement planning (e.g., conducting work under attorney-client privilege or determining reliance on work performed by other internal and external assurance providers). One standard warrants particular attention.

### Pertinent Mandatory Guidance

#### 2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- “Promoting appropriate ethics and values within the organization....”

**2110.A1** – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

### Pertinent Strongly Recommended Guidance

Refer to Appendix B for a listing of pertinent non-mandatory guidance.

## DEFINITIONS

### Definitions – One Size Does Not Fit All

To facilitate the use of this Practice Guide, we offer general definitions of some key terms. It is important to keep in mind that business ethics vary across countries, cultures, and organizations. Internal audit should gain an in-depth understanding of its organization's business culture and context by:



- Reviewing the organization’s mission, vision, strategic plan, code of conduct, allegation reporting system, related regulatory and privacy requirements, etc.
- Researching the culture of the various countries where the organization’s business units are located and the countries with which they do business (e.g., the Internet has extensive information on, for example, doing business in Brazil, Russia, India, China, and in all the major countries around the world).
- Confirming internal audit’s understanding with management and employees.
- Reflecting on insights from past business issues and audit findings.
- Reviewing applicable legislation and guidelines.

## Definition of Ethics

### (from Thomson Gale Encyclopedia)

“Ethics is the branch of philosophy that defines what is good for the individual and for society and establishes the nature of obligations or duties that people owe themselves and one another.”

## Elements of Business Ethics

Organizations will set their own standards of ethical conduct. These standards should be complementary to the ethical standards of the country or region. Key elements of business ethics include:

- Business ethics is a major element of governance.
- Business ethics relates to principles that are considered desirable by the majority of management or governing bodies in conducting business.
- Business ethics are a consensus of what is deemed acceptable behavior for a particular organization. This consensus position is derived from compromises between key constituents, and is agreed to by

the board and executives. Therefore, it is not likely to match the personal ethics of everyone.

Directors and employees are required to follow these principles; business partners, suppliers, contractors, and third-party service providers may also be required to abide by them.

## Definition of Values

### (from Dictionary.com)

Values are an integral part of an organization’s code of ethics. “*Values* are the beliefs of a person, social groups or organizations; they are rules by which one makes decisions about right and wrong, should and should not, good and bad.” They also tell us which are more or less important, which is useful when we have to trade off meeting one value over another.

Values are the embodiment of what an organization stands for, and should be the basis for the behavior of its members. They state either an actual or an idealized set of criteria for evaluating options and deciding what is appropriate, based on long experience. An organization may publish one set of values (*stated values*) that is very different from the values that actually guide organizational behavior (*operating values*). When there is a disconnect, it may be difficult to determine what is “acceptable.” Staff quickly learn the *operating values*, or they don’t survive for long in the organization. To the extent operating values differ from stated values, the organization will not only suffer from doing things less effectively, but also from the cynicism of its employees who will not trust its leadership.

## RESPONSIBILITIES FOR THE ETHICAL CLIMATE

### Board of Directors or Oversight Group

The board of directors or oversight group oversees the ethical climate, ensures management has sound ethics-related objectives and programs, and needs assurance that

these programs are effective in creating the desired ethical climate throughout the organization. Internal audit is best positioned to give that assurance because it experiences the ethical climate directly but is independent from management and charged with identifying weaknesses and opportunities for improvement. The chief audit executive (CAE) should ensure the board understands this and also that internal audit has the competence to provide that assurance.

### Senior Management

Senior management has primary responsibility for promoting and exemplifying ethical behavior. The importance of tone-at-the-top cannot be overstated. Ethics programs, no matter how well designed and executed, will struggle to accomplish their purpose if employees see executives behave with questionable ethics or accept such behavior from others.

The specific methods management uses to promote ethical behavior will vary according to the organization's environment and maturity. For a small organization with frequent interaction between senior management and employees, leadership by example and informal communication may be more influential. A larger, more mature entity with an enhanced, highly effective ethical culture will likely include most or all of the following:

- (a) A formal code of conduct, which is clear and understandable, and related statements, policies (including procedures covering fraud and corruption), and aspirational views.
- (b) Frequent communications and demonstrations of expected ethical attitudes and behavior by the influential leaders of the organization.
- (c) Explicit strategies to support and enhance the ethical culture with regular programs to update and renew the organization's commitment to an ethical culture.
- (d) Several easily accessible ways for people to con-

fidentially report alleged violations of the code of conduct, policies, and other acts of misconduct.

- (e) Regular declarations by employees, suppliers, and customers that they are aware of the requirements for ethical behavior in transacting the organization's affairs.
- (f) Clear delegation of responsibilities to ensure that ethical consequences are evaluated, confidential counseling is provided, allegations of misconduct are investigated, and case findings are appropriately reported.
- (g) A designated person (e.g., an ombudsman) to whom employees can go for advice on how to deal with and whether to report an ethical issue.
- (h) Ethics training for all employees, suppliers, and major customers, including exercises in ethical decision-making with scenarios like those employees might encounter in their jobs.
- (i) Positive personnel practices that encourage every employee to contribute to the ethical climate of the organization.
- (j) Regular surveys of employees, suppliers, and customers to determine the state of the ethical climate in the organization.
- (k) Regular reviews of the formal and informal processes within the organization that could potentially create pressures and biases that would undermine the ethical culture.
- (l) Regular reference and background checks as part of hiring procedures and prior to engaging in a contract with a customer or supplier including integrity tests, drug screening, and similar measures as applicable.
- (m) Compensation practices that do not inadvertently encourage bending the rules to achieve performance targets.
- (n) Appropriate punishments for unethical behavior regardless of the perpetrator (e.g., not making



an exception for a powerful executive or the best salesperson) and publication of the punishment internally by whatever legally feasible means are available.

- (o) A designated chief ethics officer to act as counselor of executives, managers, and others and as champion within the organization for “doing the right thing.”

## Operating Management

Members of operational management are responsible for promoting, exemplifying, and evaluating ethical behavior in their areas of responsibility. Just as tone-at-the-top is of paramount importance for the organization as a whole, each manager’s attitude and behavior around ethics is centrally important to the ethical subculture in his or her areas.

## Other Employees

All people associated with the organization share responsibility for the state of its ethical culture. Because of the complexity and dispersion of decision-making processes in most enterprises, each individual should be encouraged to be an ethics advocate, whether the role is delegated officially or merely conveyed informally.

## Third-party Service Providers, Suppliers, Agents, and Customers

While external to the organization, these parties may act as agents of the organization or otherwise be associated with it. This is especially true with outsourced services like IT, accounting, payroll, customs clearance, and research and development. The organization can be held accountable for unethical actions taken on its behalf by these parties. At a minimum, such relationships pose a reputation risk. Certain relationships could result in legal liabilities, penalties, and fines. To protect itself, the organization should incorporate into contracts with these parties a requirement that they comply with its pertinent policies such as those related to accepting or offering gifts, bribes, or “fa-

cilitation fees” and conflict of interest disclosures.

## Internal Audit

Internal auditors should take an active role in support of the organization’s ethical culture. They should be trusted within the organization and possess a high level of integrity and the skills to be effective advocates of ethical conduct. They should have the competence and capacity to appeal to the enterprise’s leaders, managers, and other employees to comply with the legal, ethical, and societal responsibilities of the organization.

The IIA’s Code of Ethics helps ensure that internal auditors “practice what they preach.” The CAE should ensure that all audit work is performed in full compliance with, and meets the intent of, the Code.

The CAE may assume proactive roles such as becoming a nonvoting member of an internal ethics council or conducting ethics training sessions. The internal audit activity may also play roles that relate to both promoting and assessing ethics, such as hosting the organization’s whistleblowing hotline or conducting fraud investigations. Before accepting such roles the CAE should consider how they would affect the perception of internal audit within the organization.

## Internal Audit’s Role in Assessing the Ethical Climate

At a minimum, the internal audit activity should periodically assess the state of the organization’s ethical climate and the effectiveness of its strategies, tactics, communications, and other processes in achieving the desired state.

Assessment methods include:

- An entitywide review of ethics-related policies and processes.
- Audits of specific ethics-related functions, such as the compliance function.

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

- An entitywide employee survey.
- An audit project employee survey.
- Informally including ethical climate in entitywide and audit project risk assessments and in the execution of audit projects. At a minimum, this should be done on every audit project.

Each of these methods is discussed further below. Regardless of the assessment method, the following main points apply:

- When auditors evaluate the “design, implementation, and *effectiveness* of the organization’s ethics-related objectives, programs and activities,” an important and challenging attribute is effectiveness. For example, consider an ethics training program.

Internal auditors can test the *design* of a training program by comparing it to “best practice” models. For example, well-designed ethics training includes exercises in which attendees are given a concrete situation and have to make an ethical decision. The instructor gives feedback on thought processes and which decision is most consistent with the organization’s values.

Internal auditors can test the *implementation* of a training program by checking the qualifications of the instructors, noting the percentage of employees who have taken the training, examining attendee evaluations, quizzing employees later to see if they retained what they learned, etc.

These are all useful tests, but the training program is a waste of resources if it does not achieve the desired *effect*. To evaluate the *effectiveness* of ethics training, internal auditors should determine whether employees have internalized the ethical values and are likely to apply them when faced with an ethical decision.

Many internal auditors meet this challenge by using self-assessment — not asking employees to assess their own ethics, which may be unreliable, but asking them to assess the ethical behavior of others or the ethical climate created by management at higher levels. For this sort of self-assessment to be effective, employees must feel safe from retribution.

- Ethics is a sensitive area, and self-assessment involves subjectivity. To reduce resistance to negative results, internal auditors should get management’s buy-in for the audit, including the assessment criteria and evaluation methods. If management agrees to the testing approach and methods, internal audit will be in a stronger position when it comes time to report the factual outcomes of the agreed-upon tests.

There may be situations where the board or oversight group desires an audit of the ethical climate but senior management does not, or when senior management desires the audit but certain operating managers do not. In these cases, the CAE must be certain of full support from the top, use evaluation methods that emphasize confidentiality to protect employees who report honest opinions or wrongdoing by others, gather as much objective evidence as possible, anticipate the resistance that might arise, and develop strategies to overcome that resistance. The CAE should also consider whether the resistance is a symptom of an underlying ethical issue.

- Because of its sensitivity and because the ethical climate does not lend itself easily to a traditional audit rating system, internal auditors might consider using a maturity model. For each attribute to be tested, the board and/or senior management can choose the desired level of maturity, and internal audit can determine the actual level through testing. The review will then identify both strengths and gaps, and give a more complete and balanced picture of the ethical

climate than would an audit opinion. Appendix A provides one example of such a maturity model.

There are various ways of assessing the ethical climate. Five are discussed herein.

### Entitywide Review of Ethics-related Policies and Activities

Most organizations communicate ethical values in formal statements like a code of ethics, mission statement, or values statement. Additionally, ethical values are often expressed in function-specific policies like sales, customer service, lending, and investment policies.

Internal auditors might review major policies to identify the statements of ethical values they contain. They could then consider:

- Are ethical values consistent among policy statements?
- Are any policies lacking ethics statements? Should ethics statements be added to be consistent with other statements?
- Are the ethics statements consistently expressed enabling employees to have a cohesive, easily understood picture of the expected behavior?
- Are the statements specific and concrete enough to be meaningful?

Ethical values that are consistent, comprehensive, and concretely expressed are a good starting point for the organization. For the internal audit activity, they will be the high-level criteria for the remainder of the audit, and for other assessment methods.

Ethical statements must be communicated to employees and integrated into their everyday behavior if they are to be effective. Internal auditors might consider the list of methods by which senior management can promote ethical values that was presented earlier in this Practice

Guide. Not all of these methods will be appropriate for every organization, but auditors can determine which ones are appropriate for their own company, recommend any that are not being used but should be, and assess those that are being used.

### Audits of Specific Ethics-related Functions

Specific ethics-related functions and activities (e.g., the compliance function, ethics training, and hotline) might be evaluated as part of an entitywide review or as a stand-alone audit project.

### Entitywide Employee Survey

Policy statements express the organization's desired ethical values. Ethics-related activities are the means by which management attempts to instill these values into the organization's culture. But excellent statements and formal activities are quickly subverted when employees observe questionable behavior in their superiors, or when peers tell them, "That's the theory, but this is how it's really done," or "This is what you have to do if you want to get ahead."

To determine the effectiveness of ethics-related activities, internal auditors must measure the ethical climate itself. One good method for doing this is an entitywide employee survey. Appendix A presents an example that some audit departments have used, adapting it as needed.

In many organizations, management sponsors a similar survey, often administered by a third party that specializes in such surveys. If this is the case, internal auditors can use the results of management's survey, but they should first evaluate the survey process to determine how much reliance may be placed upon it. In particular, they should determine whether the survey includes meaningful ethics-related questions and whether it is administered in a way that encourages candid and meaningful responses.

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

Whether evaluating management’s survey process or developing their own, internal auditors should consider the following:

- Employees must feel safe from retribution for giving honest responses. This is usually accomplished by making the survey confidential, and the promise of confidentiality must never be violated. Using an outside vendor that guarantees confidentiality can also be an advantage.
- Ethical issues are rarely yes/no issues; there are always degrees. The most common way of structuring this kind of survey is to have statements like “Senior management of my business unit demonstrates high ethical values” and have employees choose their level of agreement on what is called a Likert scale: Strongly agree, Agree, Disagree, Strongly disagree, or Don’t know (or not applicable).
- Ask for specific comments. Many surveys ask employees to explain why they disagree or strongly disagree with any of the survey statements.
- Consider the level of confidentiality needed. For example, surveys typically ask in what area the employee works. Comparisons of one area to another are valuable, but the smaller the area the less confidential the responses will be. Some surveys give employees the option of giving their names; most do not. The level of confidentiality needed will differ from one organization to another.
- It is often meaningful to stratify responses by level (e.g., senior management, middle management, and staff) or location and compare the differing perceptions, as long as doing so does not compromise confidentiality.
- Consider the length of the survey. The longer the survey the more information it will yield but the lower the response rate is likely to be. The optimum length will vary from one organization to another.
- Survey statements should be phrased in simple,

easy-to-understand language. Consider “field-testing” the survey by giving it to several people individually and asking what they think each statement means.

- Consider language and cultural issues when using a survey in more than one country.
- Results, together with action plans addressing issues raised by the survey, should be communicated to employees, so they know that management is listening to them and working to improve the ethical climate.

If internal audit develops its own survey, there are two additional considerations:

- It is important to get buy-in from the board and/or senior management. They must want the information and be willing to address issues that might be raised.
- Consider having legal review the survey to consider liability issues. If legal is likely to be overly cautious, be prepared to discuss the risk versus the potential benefit of the survey.

If an effective entitywide survey is in place, whether sponsored by the internal audit activity or management, internal auditors should consider using the results for:

- Following up on responses that suggest a weakness in the ethical climate to determine with corroborating evidence whether this weakness in fact exists and, if so, have the root cause and possible corrective actions been identified?
- A macro-level risk assessment. A risk universe item in which employees perceive a weak ethical climate is clearly at higher risk than others.
- A micro-level risk assessment. Survey results should be considered in planning each audit project if they can be broken down to that level. If they point to a specific ethical weakness, testing should be done to

prove or disprove its existence.

- Identifying the root cause of exceptions. These may be traceable to weaknesses in the ethical climate.
- Supporting audit findings. When audit findings and survey results are consistent, both are strengthened.

An appropriately administered employee survey produces objective evidence of employee perceptions, and these perceptions are the most reliable indicator of the actual state of the ethical climate. After all, the ethical climate is what employees think it is, not what senior management wants it to be. At the same time, employee perceptions are subjective. Internal auditors should provide the appropriate perspective about the strength and limitations of employee surveys when reporting results. To the extent possible, internal auditors should identify the root cause of negative perceptions and work with management to develop corrective action plans.

### Audit Project Employee Survey

A similar, typically briefer survey can be used during audit projects. Appendix A is an example of a survey used by an organization on every audit project. The considerations discussed previously apply to audit project surveys as well. Some additional considerations are:

- Surveys can accurately measure employee perceptions, but perceptions are not always accurate. Results should not be reported as audit issues unless they have been validated with more tangible evidence. They should, however, be reported to the responsible managers because managers need to know how employees are feeling, and the knowledge might allow them to correct misperceptions.
- Online survey tools allow you to survey 100 percent of the population and easily compile and analyze the results.
- Allowing managers to add survey items of concern to them will increase buy-in and might yield valuable audit information.

### Informally Including Ethical Climate in Entitywide and Audit Project Risk Assessments, and in the Execution of Audit Projects

Although less effective than the formal assessment methods discussed previously, internal auditors should at a minimum consider their own perceptions and gather any available evidence about the ethical climate when assessing risk. This is true both when identifying audits to perform and when assessing risk during each audit project.

When performing audits, internal auditors should be alert to ethical concerns. In addition, they might include questions on ethics during interviews, such as the greatest ethical challenge faced by the employee in the past.

### Considerations in Reporting Ethical Concerns

Reporting ethical violations or concerns, especially when they involve senior management, can be extremely sensitive. The CAE may want to consult the following Practice Advisories and Practice Guides for guidance:

- PA 2400-1: Legal Considerations in Communicating Results (May 2010).
- PA 2410-1: Communication Criteria (January 2009), #13 on separate reporting to the board.
- PA 2440-2: Communicating Sensitive Information Within and Outside the Chain of Command (May 2010).
- PA 2440.A2-1: Communications Outside the Organization (May 2010).
- PG: Interaction With the Board (August 2011).



## CONSIDERATIONS FOR AN AUDIT OF ETHICS

Given the range of components to ethics-related objectives, programs, and activities, the CAE will need to determine which components to include in the internal audit plan, based on assessment of applicable risk, the levels of assurance required, the level of maturity of the ethics-related programs, and the approach for conducting the review(s). For example, the CAE may decide to review the ethics program in its entirety or to undertake a rolling program of reviews focusing on different aspects of the ethics program over a number of years. Once the scope and objectives of the audits are determined, the process for conducting the reviews is the same as for any other individual audit.

### The Audit Process

The following summarizes the points raised throughout this Practice Guide:

#### Planning

Review approved documents to gain an understanding of the organization's ethics programs, including:

- Applicable legislation (e.g., government directives to public sector agencies).
- Organization structure of ethics and compliance functions and reporting relationship to the board of directors.
- Code of conduct/ethics for employees, agents, third-party service providers, and suppliers.
- Annual/periodic reporting requirements to the board of directors on compliance status of the codes of conduct, violations, and corrective action plans.
- Annual attestation of compliance with the code of conduct by the employees.
- Annual disclosure of conflict of interest filed by the

employees and management resolutions.

- Mission statement.
- Strategic planning documents (including corporate objectives) or values statements.
- Sales, customer service, lending, or investment policies.
- Employee-related documents such as individual employee contracts, or collective bargaining agreements.
- Induction procedures for new staff.
- Ethics policies for electronic media.
- Job descriptions for ethics coordinators.
- Results and action plans on periodic employee surveys on ethics-related questions.

At this stage, if there have not been any recent employee surveys, it may be appropriate to conduct one to gain an understanding of the organization's ethical culture and highlight areas of concern/high risk and the control environment.

As discussed earlier in this guide, due consideration should also be given to pertinent IPPF elements such as the *Standards* and related Position Papers, Practice Advisories, and Practice Guides. The extent and timing of the use of these materials will be dependent on the scope, objectives, and issues arising throughout the internal audit review. It will also be useful for the audit team to review best practices on implementing and auditing ethics-related programs as well as breaches reported in the news.

#### Assess Risks and Controls

Using the information gathered in the planning phase, assess the risks associated with the organization's ethics programs.

- Identify inherent risks.
- Based on the documented policies and procedures, identify whether controls are designed to effectively



mitigate identified risks.

- Based on the results of the employee survey, identify areas for further review. For example, management actions do not appear to meet the expected tone-at-the-top; there are gaps between documented controls and actual practices.
- Develop a test plan to provide adequate levels of assurance in accordance with the scope and objectives of the review.

### Undertake Testing

There is a range of tools and techniques that may be used to test the organization's ethics program. This is an area likely to be more sensitive and emotive than other audit topics so the approach should be tailored with this in mind. The need for confidentiality and sensitivity is heightened.

Keeping in mind Standard 2110.A1, audit testing would likely focus on the following areas, whether in a comprehensive audit or at various stages of a rolling audit program:

### Design

The design of the organization's ethics-related objectives, programs, and activities will have been identified during the planning phase of the review. While a high-level risk assessment will have been undertaken of the design, detailed assessment should now be undertaken. As with other audits, the most significant issues are often related to weaknesses in design. These may include:

- Applicability of the code of conduct (e.g., who has to comply: the board of directors, employees, joint venture employees, agents, third-party service providers, suppliers?).
- Comprehensive coverage of the code of conduct (e.g., does the code cover: integrity in the workplace, such as compliance with health and safety

regulations, disclosure of conflicts of interest, integrity of information and use of company properties, litigation and investigations; integrity in the marketplace, such as gifts, entertainment, and gratuities, fair competition, insider trading; and integrity in society, such as avoiding inappropriate payments to government officials and compliance with export regulations; integrity toward the environment, such as compliance with environmental principles and regulations; accountability for compliance; and penalties for violations?).

### Implementation

The focus of this testing will likely be dependent on the maturity level of the organization's ethics-related objectives, programs, and activities (e.g., it may not be possible to assess the effectiveness of the communications plan of an immature ethics program). However, areas of focus may include:

- The communications plan (e.g., have communications been made as designed, to the intended audience, and at the right frequency?).
- Training/awareness programs (e.g., how many employees have attended? How did they rate the training?).
- Processes for raising concerns within assigned areas and escalation processes to management outside the reporting chain.
- Processes for handling ethics-related issues (e.g., are employees using the methods available for reporting such issues? Are reported issues resolved?).
- The process for attesting compliance by employees (e.g., are employees required to attest their understanding of and compliance with the code of conduct?).
- The process for reporting and resolving conflicts of interest (e.g., are employees required to disclose potential and actual conflicts of interest? Is manage-

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

ment responsible for working with the employees to resolve reported conflicts? Are there documented approvals on conflict resolution?).

#### Effectiveness

Internal auditors should assess how successful the organization has been in achieving the objectives of its ethics-related programs and activities. Testing in this area may include:

- A review of ethical issues reported by employees (e.g., are actions taken to resolve issues appropriate? Is retribution ever taken against those who report issues?).
- A review of illegal or unethical acts discovered by means other than employee reporting (e.g., is the number of acts excessive? Is there a pattern indicating an underlying root cause?).
- An assessment of methods used to measure the effectiveness of the ethics-related programs and activities (e.g., how are they reported and to whom? Are actions taken and lessons learned from this reporting?).
- A review of the results of the employee survey conducted earlier (or at this stage if not conducted earlier) and employee interviews that indicate whether employees understand and are committed to the organization's ethics-related objectives.
- An assessment of the operating effectiveness of the key controls — identified during the risk assessment process — that serve to mitigate risks that impact ethics-related programs.
- An assessment of the accuracy and comprehensiveness of periodic reports to the board of directors.

#### Reporting

As per the requirements of Standard 2440: Disseminating Results, the CAE must consider the design of the report and decide to whom and how it will be disseminated. As stated earlier in this Practice Guide, because of its sensitivity and because the ethical climate may not lend itself easily to a traditional audit rating system, a maturity model may be the most effective form of reporting.

## APPENDIX A:

### Examples of Audit Tools in Evaluating Organizational Ethics

This attachment presents three examples of audit tools that might be useful in evaluating organizational ethics. They are not the right tools to use for every organization. If used, they should only be used as starting points, with appropriate tailoring to each organization.

#### Maturity Model<sup>1</sup>

Ethics is a sensitive area that does not easily lend itself to traditional audit rating systems. Rather than give an audit opinion on ethics, it might be less inflammatory and more useful to assess the maturity of the various elements of the ethical climate using a maturity model. The following compliance and ethics program maturity model is an example.

ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
1. Code of Ethics ( <i>How effectively does the Code outline management's expectations regarding ethical conduct?</i> )	<ul style="list-style-type: none"> <li>• There is no formally documented code of ethics.</li> <li>• In general, there are no other means of communicating management's expectations regarding ethical conduct.</li> </ul>	<ul style="list-style-type: none"> <li>• A Code of Ethics has been developed, but it may not be comprehensive or current.</li> <li>• Experienced employees generally understand management's expectations regarding ethical conduct, but new employees may not have any way of determining those expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• A comprehensive Code of Ethics exists, was approved by the Board and is reviewed every two to three years to determine what updates are needed.</li> <li>• All employees must sign off annually that they comply with the Code of Ethics.</li> <li>• New employees must sign a document asserting that they have read and understand the Code.</li> </ul>	<ul style="list-style-type: none"> <li>• Outside counsel reviews the Code of Ethics as appropriate to ensure it remains current and appropriate.</li> <li>• The Code of Ethics is reviewed annually and updated as necessary.</li> <li>• All employees must complete annual questionnaires that ask more probing questions regarding compliance with the Code of Ethics.</li> </ul>	<ul style="list-style-type: none"> <li>• Specific compliance policies are in place to support and provide additional guidance on key components of the Code of Ethics.</li> <li>• Periodic focus groups and/or surveys are conducted with a representative sample of employees to assess their understanding of the Code of Ethics and their perceptions on level of compliance throughout the organization.</li> </ul>

<sup>1</sup> Excerpted from Copyright 2009, *Internal Auditing: Assurance and Consulting Services*, 2nd Edition, by The Institute of Internal Auditors Research Foundation, 247 Maitland Avenue, Altamonte Springs, Florida 32701-4201 U.S.A. Reprinted with permission.

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
2. Culture and Consistency <i>(How does the organization perceive management's commitment to compliance?)</i>	<ul style="list-style-type: none"> <li>• The organization seems indifferent to compliance.</li> <li>• The program was developed by very few individuals with no outside input.</li> <li>• There are perceptions of disciplinary inconsistencies and “playing favorites.”</li> <li>• People are promoted without formal consideration of ethical conduct.</li> <li>• Noncompliance events are typically learned from complaints versus monitoring or audit activities.</li> </ul>	<ul style="list-style-type: none"> <li>• There are perceptions that compliance is important.</li> <li>• Program was developed to address legal ramifications of noncompliance.</li> <li>• Discipline generally is left to the discretion of business and department managers and, as such, is not consistent.</li> <li>• While ethical conduct seems to be considered, it's not a part of job descriptions.</li> <li>• Noncompliance events generally are reported timely, but there are few efforts to report events before they become noncompliant.</li> </ul>	<ul style="list-style-type: none"> <li>• There are perceptions that senior management takes compliance seriously and “walks the talk.”</li> <li>• The program was developed with input from Legal, Human Resources, and Internal Audit.</li> <li>• Human Resources is consulted to make sure disciplinary actions are appropriate and compliant with regulations.</li> <li>• Job descriptions include expectations for ethical conduct.</li> <li>• Many employees raise compliance questions before they become a problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance and ethics are topics at organization and department-level meetings, ensuring a consistent cultural message.</li> <li>• The program was developed with input from various employee groups.</li> <li>• Disciplinary decisions involve an appropriate mix of Human Resources, Legal, and Compliance personnel to ensure appropriateness and consistency.</li> <li>• Job descriptions and interviews formally cover ethical conduct.</li> <li>• Employees feel empowered to raise questions about compliance matters.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic surveys or focus groups are conducted to assess the perception of compliance culture and make adjustments if needed.</li> <li>• Periodic input is solicited from employees to help improve the program.</li> <li>• Disciplinary actions are reviewed by an independent group (e.g., Internal Audit) to support the consistency of such actions.</li> <li>• People are recognized for demonstrating ethical conduct.</li> <li>• Employees make recommendations for improving the compliance program.</li> </ul>

ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
<p>3. Awareness (<i>How aware are employees [EEs] and outside stakeholders of the compliance program and its requirements?</i>)</p>	<ul style="list-style-type: none"> <li>• EEs generally are aware that the program exists, but they are not sure how to get information about it.</li> <li>• EEs aren't familiar with specific requirements.</li> <li>• EEs don't know who the compliance manager or risk area officers are.</li> <li>• Stakeholders know nothing about the program.</li> </ul>	<ul style="list-style-type: none"> <li>• EEs are aware program exists, went through training once and intuitively know some, but not all, requirements of the program.</li> <li>• EEs know who the chief compliance officer and/or compliance manager are, but not the risk area officers.</li> <li>• Stakeholders assume a program exists, but don't know anything about it or where to get information.</li> </ul>	<ul style="list-style-type: none"> <li>• There is widespread EE awareness of the program.</li> <li>• All EEs went through training in the last three years.</li> <li>• EEs know who the chief compliance officer and compliance manager are.</li> <li>• EEs know about the risk area officer positions, and may know one or two if they work with them, but they don't know most of them.</li> <li>• Stakeholders are aware the program exists and can find references on the company website.</li> </ul>	<ul style="list-style-type: none"> <li>• Annual training reinforces the program, with individual modules delivered in more depth.</li> <li>• EEs know who all of the risk area officers are and generally understand the responsibilities of each risk area.</li> <li>• Compliance with the program and ethical expectations are covered in contracts with vendors.</li> </ul>	<ul style="list-style-type: none"> <li>• Communications occur on a regular basis to remind/update employees on program expectations.</li> <li>• The program is part of external sustainability reporting conducted annually.</li> </ul>

# IPPF – Practice Guide

## Evaluating Ethics-Related Programs and Activities

ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
4. Structure and Accountability <i>(How effective is the structure for managing the program and enforcing accountability?)</i>	<ul style="list-style-type: none"> <li>• There is no formal compliance structure.</li> <li>• Independent oversight is nonexistent or ad hoc.</li> <li>• Accountability is not defined.</li> <li>• Investigations are ad hoc.</li> <li>• Compliance risks are not understood.</li> </ul>	<ul style="list-style-type: none"> <li>• A compliance officer has been designated, but the responsibilities of the position are not well-developed.</li> <li>• Oversight and monitoring are inconsistent and reactionary.</li> <li>• Accountability is broadly understood but not formally documented.</li> <li>• Investigations are typically conducted by appropriate personnel.</li> <li>• Compliance risks are generally understood but not formally documented.</li> </ul>	<ul style="list-style-type: none"> <li>• A compliance structure has been established, with accountability assigned to risk area officers.</li> <li>• Oversight is defined from a senior management and board perspective.</li> <li>• Monitoring is established, including Internal Audit and others.</li> <li>• There is a focal point for determining who should conduct investigations.</li> <li>• Compliance risks and scenarios are documented.</li> </ul>	<ul style="list-style-type: none"> <li>• Reporting by risk area officers to the compliance manager is timely and consistent.</li> <li>• The applicable Board committee receives quarterly updates on compliance matters.</li> <li>• Internal Audit has a consistent plan for auditing all compliance risks.</li> <li>• A formal investigation protocol outlines appropriate resources to use (internal vs. external), documentation requirements, and how investigations are closed.</li> <li>• A formal compliance risk assessment has been completed.</li> </ul>	<ul style="list-style-type: none"> <li>• An integrated monitoring plan has been implemented that involves the compliance manager, risk area officers, and Internal Audit.</li> <li>• Sensitive or significant investigations are conducted in accordance with the protocol by individuals trained in forensic and investigation techniques.</li> <li>• Compliance risk scenarios have been identified, assessed, and mapped to compliance controls and are updated at least annually.</li> </ul>



ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
<p>5. Process Automation and Integration <i>(How effectively are compliance controls and processes standardized, integrated, and automated?)</i></p>	<ul style="list-style-type: none"> <li>• There are no formal compliance controls or procedures, although many employees know intuitively how to act.</li> <li>• There is no formal protocol for employees or outsiders to report suspected noncompliance events.</li> <li>• Information/data related to compliance is not available.</li> </ul>	<ul style="list-style-type: none"> <li>• There are some compliance controls and procedures, but they are not consistent across the organization or formally documented.</li> <li>• There is limited testing of the controls and procedures in place.</li> <li>• Employee generally understand that they can contact Legal or Human Resources if they suspect a non-compliance event.</li> <li>• Information/data related to compliance events is difficult to compile.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance controls and procedures are well-documented and standardized across the organization.</li> <li>• Compliance controls and procedures are tested periodically to identify gaps or weaknesses.</li> <li>• An external hotline is in place to which employees or outsiders can report suspected noncompliance events.</li> <li>• Some compliance controls are integrated with other business processes and automated to the extent existing systems supports it.</li> <li>• Some standard reports are prepared related to compliance events.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance controls and procedures are an integral part of business processes.</li> <li>• Many compliance controls address key compliance risks as part of a governance, risk, and compliance (GRC) view of the program.</li> <li>• There are multiple avenues through which employees or outsiders can report suspected noncompliance events, and all follow a consistent protocol for gathering information on the event and escalating it.</li> <li>• A consistent test plan is used to ensure compliance controls and procedures operate effectively.</li> <li>• Technology is used to aid in the identification and investigation of compliance events.</li> </ul>	<ul style="list-style-type: none"> <li>• The company has established an integrated GRC program that ensures compliance risks are managed consistent with the organization's risk appetite.</li> <li>• Event management software is used to ensure all key data is gathered and the resolution of events is documented in a complete and consistent manner.</li> <li>• GRC software is used to provide integrated information on the program.</li> <li>• Integrated technology routines are run on a regularly scheduled basis to prevent or detect timely potential compliance events.</li> </ul>

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

ATTRIBUTE	IMMATURE	REPEATABLE	DEFINED	MATURE	WORLD CLASS
6. Goals and Metrics <i>(How is success of the compliance program measured?)</i>	<ul style="list-style-type: none"> <li>No formal goals or metrics exist or are contemplated.</li> </ul>	<ul style="list-style-type: none"> <li>While goals and metrics are not formalized, employees generally understand that the absence of compliance events is indicative of a successful program.</li> </ul>	<ul style="list-style-type: none"> <li>Broad compliance goals are established and communicated.</li> <li>Broad metrics exist to measure the nature and frequency of compliance events.</li> </ul>	<ul style="list-style-type: none"> <li>Specific compliance goals are integrated into the annual goal setting process for each risk area.</li> <li>Metrics are established for each risk area.</li> </ul>	<ul style="list-style-type: none"> <li>All employees have individual compliance goals.</li> <li>Metrics are integrated into the overall performance measurement process.</li> </ul>

**Entitywide Employee Survey<sup>2</sup>**

The ethical climate is not always what executives or the board want it to be or think it is. The ethical climate is what employees experience. Therefore, an entitywide survey should provide a reasonably accurate measure of the ethical climate. By identifying gaps between the desired and actual ethical climate, a survey can lead to action plans to bridge those gaps and thereby add great value to the organization.

The following is an example of a survey some internal auditors have used effectively. It is not focused exclusively on the ethical climate. Instead, the ethical issues are embedded into a broader survey.

YOUR DEPARTMENT \_\_\_\_\_

In what state is your office located? ..... IL IN MI OH WI OTHER

**SAMPLE ENTITYWIDE EMPLOYEE SURVEY**

(PLEASE CIRCLE THE ONE RESPONSE THAT BEST DESCRIBES YOUR REACTION TO EACH STATEMENT.)

**KEY:** SA = Strongly Agree    A = Agree    D = Disagree    SD = Strongly Disagree    DK = Don't Know

**SECTION I: Company Culture**

*The company culture sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control.* (PLEASE CIRCLE ONE FOR EACH.)

- |   |                      |
|---|----------------------|
| 1. Senior management of my business unit demonstrates high ethical standards.                           | SA   A   D   SD   DK |
| 2. Senior management of my business unit strives to comply with laws/regulations affecting the company. | SA   A   D   SD   DK |
| 3. My supervisor complies with laws/regulations affecting the company.                                  | SA   A   D   SD   DK |
| 4. The performance targets in my work unit are realistic and obtainable.                                | SA   A   D   SD   DK |

<sup>2</sup> Excerpted from Copyright 2010, *Best Practices: Evaluating the Corporate Culture*, by The Institute of Internal Auditors Research Foundation, 247 Maitland Avenue, Altamonte Springs, Florida 32701-4201 U.S.A. Reprinted with permission.

# IPPF – Practice Guide

## Evaluating Ethics-Related Programs and Activities

- |  |    |   |   |    |    |
|--|----|---|---|----|----|
| 5. Employees in my work unit have the knowledge, skill, and training to perform their job adequately.                  | SA | A | D | SD | DK |
| 6. My business unit learns from its mistakes.  | SA | A | D | SD | DK |
| 7. Personnel turnover has not impacted my work unit's ability to effectively perform its function.                     | SA | A | D | SD | DK |
| 8. Integrity of financial and operational results always takes priority over reporting acceptable performance targets. | SA | A | D | SD | DK |
| 9. Employees in my work unit are treated fairly and justly.  | SA | A | D | SD | DK |
| 10. Employees in my work unit do not have to take unnecessary safety risks to perform their job.                       | SA | A | D | SD | DK |
| 11. If you disagree/strongly disagree with any of the above questions on Company Culture, why do you feel this way?    |    |   |   |    |    |
|  |    |   |   |    |    |
|  |    |   |   |    |    |

### **SECTION II: Goals and Obstacles**

*Organizations identify and analyze potential obstacles to the achievement of their goals to determine how to manage these obstacles. (PLEASE CIRCLE ONE FOR EACH.)*

- |  |    |   |   |    |    |
|--|----|---|---|----|----|
| 12. For the coming year, I am accountable for defined, measurable objectives.  | SA | A | D | SD | DK |
| 13. I have sufficient resources, tools, and time to accomplish my objectives.  | SA | A | D | SD | DK |
| 14. In my department, we identify barriers and obstacles and resolve issues that could impact achievement of objectives. | SA | A | D | SD | DK |



15. In my department, the processes supporting new products, services, technology, and other significant changes are adequately managed. SA   A   D   SD   DK

16. My business unit adequately considers customer impacts in its decisions and actions. SA   A   D   SD   DK

17. If you disagree/strongly disagree with any of the above questions on Goals and Obstacles, why do you feel this way?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

18. In your opinion, what are the primary business/financial risks facing your business unit?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SECTION III: Policies and Procedures**

*Policies, procedures, and other safeguards help ensure that objectives are accomplished.*  
(PLEASE CIRCLE ONE FOR EACH.)

19. The policies and procedures in my work unit allow me to do my job effectively. SA   A   D   SD   DK

20. Employees who steal from the company (physical property, money, information, time) will be discovered. SA   A   D   SD   DK

21. Employees who steal from the company and are discovered will be subject to appropriate consequences. SA   A   D   SD   DK

22. Employees who break laws and regulations affecting the company will be discovered. SA   A   D   SD   DK

23. Employees who break laws and regulations affecting the company and are discovered will be subject to appropriate consequences. SA   A   D   SD   DK



## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

24. If you disagree/strongly disagree with any of the above questions on Policies and Procedures, why do you feel this way?

---

---

---

#### **SECTION IV: Information and Communication**

*Pertinent information must be identified, captured, and communicated in a form and time frame that enables people to carry out their responsibilities. (PLEASE CIRCLE ONE FOR EACH.)*

- |   |    |   |   |    |    |
|---|----|---|---|----|----|
| 25. Our information systems provide management with timely reports on my unit's performance relative to established objectives. | SA | A | D | SD | DK |
| 26. Mechanisms and incentives are in place for me to provide recommendations for process improvements.                          | SA | A | D | SD | DK |
| 27. The interaction between senior management and my work unit enables us to perform our jobs effectively.                      | SA | A | D | SD | DK |
| 28. The communication across departmental boundaries within my business unit enables us to perform our jobs effectively.        | SA | A | D | SD | DK |
| 29. The communication across business unit boundaries enables people to perform their jobs effectively.                         | SA | A | D | SD | DK |
| 30. I have sufficient information to do my job.   | SA | A | D | SD | DK |
| 31. Senior management at XXX Corporate is informed and aware of my business unit's actual performance.                          | SA | A | D | SD | DK |
| 32. A communication channel exists for reporting suspected improprieties.   | SA | A | D | SD | DK |



33. Persons who report suspected improprieties are protected from reprisal. SA A D SD DK
34. If I report wrongdoing to my supervisor, I am confident that the wrongdoing will stop. SA A D SD DK
35. If you disagree/strongly disagree with any of the above questions on Information and Communications, why do you feel this way?

---



---



---

**SECTION V: Evaluation and Feedback**

*Through evaluation and feedback processes, an organization assesses, tracks, and monitors its performance over time.*  
(PLEASE CIRCLE ONE FOR EACH.)

36. Information reported to senior management reflects the actual results of operations in my work unit. SA A D SD DK
37. I have enough information to monitor vendor performance. SA A D SD DK
38. I have enough information to monitor customers' satisfaction or dissatisfaction (either internal or external). SA A D SD DK
39. External and/or internal customer feedback and complaints are followed up timely and effectively. SA A D SD DK
40. The quality of output in my work unit is measurable. SA A D SD DK
41. Employees in my work unit know what actions to take when they find mistakes or gaps in performance. SA A D SD DK
42. My supervisor reviews my performance with me at appropriate intervals. SA A D SD DK
43. I know what action to take if I become aware of unethical or fraudulent activity. SA A D SD DK

**IPPF – Practice Guide**  
**Evaluating Ethics-Related Programs and Activities**

44. If you disagree/strongly disagree with any of the above questions on Evaluation and Feedback, why do you feel this way?

---

---

---

45. I suspect/know that fraudulent activity is occurring in my work place.      YES      NO

If question 45 is answered YES, please complete the following.

45A. What is the activity referred to in question 45?

---

---

---

45B. Did you report it? Yes / No (Please circle)

45C. If no, why not?

---

---

---

**(NOTE: If you wish to report any fraud, you may call the XXX Integrity Line at 1-800/xxx-xxxx)**



### Audit Project Employee Survey<sup>3</sup>

As noted above, operating managers create ethical sub-climates within their own areas by their own words and actions. The sub-climate might not be consistent with the broader climate, so using an employee survey on each au-

dit project can also add value. The following brief survey is used by a university on every audit project, and the results are reported in every audit report. Local management is asked if they want to add any statements to the survey to get feedback on issues of concern to them.

#### Employee Survey

“Management” refers to the department head/director and his/her leadership team if you work in an academic department or center, or to the dean and his/her leadership team if you personally work in or directly report to a dean or dean’s office.

	Strongly Agree	Agree	Disagree	Strongly Disagree	N/A
1. Management demonstrates the importance of integrity and ethical behavior to its employees.	SA	A	D	SD	N/A
2. Management is open to employee suggestions to improve productivity and quality.	SA	A	D	SD	N/A
3. Management sometimes overrides university policies, procedures, or work place rules (e.g., takes shortcuts that are contrary to policy).	SA	A	D	SD	N/A
4. Management has the right knowledge, skills, and training to effectively perform its duties.	SA	A	D	SD	N/A
5. Nonmanagement (support) staff has the right knowledge, skills, and training to effectively perform its duties.	SA	A	D	SD	N/A
6. Management effectively monitors and provides oversight and direction for the activities in my unit.	SA	A	D	SD	N/A
7. Management is concerned with and responsive to customer feedback or suggestions.	SA	A	D	SD	N/A
8. I understand workplace policies and rules and have an effective resource for obtaining clarification of policies when needed.	SA	A	D	SD	N/A
9. Management has not effectively communicated my job duties and responsibilities to me.	SA	A	D	SD	N/A

<sup>3</sup> Excerpted from Copyright 2010, *Best Practices: Evaluating the Corporate Culture* by The Institute of Internal Auditors Research Foundation, 247 Maitland Avenue, Altamonte Springs, Florida 32701-4201 U.S.A. Reprinted with permission.

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

- |   |    |   |   |    |     |
|---|----|---|---|----|-----|
| 10. Management would take appropriate corrective action if policy, procedure, or workplace rule violations were detected. | SA | A | D | SD | N/A |
| 11. I would be protected from retaliation if I report a suspected violation.  | SA | A | D | SD | N/A |
| 12. I am familiar with how to report violations of law or policy, including the university's confidential reporting line. | SA | A | D | SD | N/A |

Would you like to tell us anything else about the operations of your (college, department, center, or other term as appropriate)?

---

---

---

NAME (optional) \_\_\_\_\_



## APPENDIX B:

### Pertinent Strongly Recommended Guidance

#### Pertinent Position Papers

Position Papers assist a wide range of interested parties, including those not in the internal audit profession, in understanding significant governance, risk, and control issues and delineating related roles and responsibilities of internal auditing. Refer to:

Position Paper “The Role of Internal Auditing in Enterprise-wide Risk Management” (January 2009)

#### Pertinent Practice Advisories

Practice Advisories assist internal auditors in applying the Definition of Internal Auditing, the Code of Ethics, and the *Standards* and promoting good practices. Practice Advisories address internal audit’s approach, methodologies, and consideration, but not detailed processes or procedures. They include practices relating to international, country, or industry-specific issues; specific types of engagements; and legal or regulatory issues.

PA 2010-1: Linking the Audit Plan to Risk and Exposures (January 2009)

PA 2010-2: Using the Risk Management Process in Internal Audit Planning (July 2009)

PA 2050-1: Coordination (January 2009)

PA 2050-2: Assurance Maps (July 2009)

PA 2050-3: Relying on the Work of Other Assurance Providers (October 2010)

PA 2060-1: Reporting to Senior Management and the Board (May 2010)

PA 2110-1: Governance: Definition (April 2010)

PA 2110-2: Governance: Relationship With Risk and Control (April 2010)

PA 2110-3: Governance: Assessments (April 2010)

PA 2120-1: Assessing the Adequacy of Risk Management Processes (January 2009)

PA 2130-1: Assessing the Adequacy of Control Processes (January 2009)

PA 2130.A1-1: Information Reliability and Integrity (January 2009)

PA 2240-1: Engagement Work Program (January 2009)

PA 2400-1: Legal Considerations in Communicating Results (May 2010)

PA 2440-1: Disseminating Results (January 2009)

PA 2440-2: Communicating Sensitive Information Within and Outside the Chain of Command (May 2010)

PA 2440.A2-1: Communications Outside the Organization (May 2010)

#### Pertinent Practice Guides (PGs)

Practice Guides provide detailed guidance for conducting internal audit activities. They include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables.

PG External Business Relationship (May 2009)

PG Internal Auditing and Fraud (December 2009)

PG GTAG – 13 Fraud Prevention and Detection in an Automated World (December 2009)

## IPPF – Practice Guide

### Evaluating Ethics-Related Programs and Activities

PG Evaluating Corporate Social Responsibility/Sustainable Development (February 2010)

PG Auditing Executive Compensation and Benefits (April 2010)

PG Auditing the Control Environment (April 2011)

PG Coordinating Risk Management and Assurance (March 2012)

PG Maturity Model (TBD)

PG Organizational Governance (TBD)

## Authors:

Stephen Linden, CPA

Angelina Chin, CIA, CCSA, CRMA

James Roth, Ph. D., CIA, CCSA, CRMA

David Zechnich, CIA, CPA

Susan L. Rudolph

## Reviewers:

Steve Jameson, CIA, CCSA, CFSA, CRMA







## About the Institute

Established in 1941, The Institute of Internal Auditors (IIA) is an international professional association with global headquarters in Altamonte Springs, Fla., USA. The IIA is the internal audit profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator.

## About Practice Guides

Practice Guides provide detailed guidance for conducting internal audit activities. They include detailed processes and procedures, such as tools and techniques, programs, and step-by-step approaches, as well as examples of deliverables. Practice Guides are part of The IIA's IPPF. As part of the Strongly Recommended category of guidance, compliance is not mandatory, but it is strongly recommended, and the guidance is endorsed by The IIA through formal review and approval processes. For other authoritative guidance materials provided by The IIA, please visit our website at <https://globaliia.org/standards-guidance>.

## Disclaimer

The IIA publishes this document for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances and as such is only intended to be used as a guide. The IIA recommends that you always seek independent expert advice relating directly to any specific situation. The IIA accepts no responsibility for anyone placing sole reliance on this guidance.

## Copyright

Copyright © 2012 The Institute of Internal Auditors. For permission to reproduce, please contact The IIA at [guidance@theiia.org](mailto:guidance@theiia.org).



*Global*

### GLOBAL HEADQUARTERS

247 Maitland Ave.

Altamonte Springs, FL 32701 USA

**T:** +1-407-937-1111

**F:** +1-407-937-1101

**W:** [www.globaliia.org](http://www.globaliia.org)