

ASSESSMENT MODULE FOR INTEGRITY CONTROLS

OF THE FINANCIAL MANAGEMENT SYSTEM OF PUBLIC INSTITUTIONS

ICS MEETING
WARSAW 27-28 SEPTEMBER 2018



STATE AUDIT
OFFICE OF HUNGARY

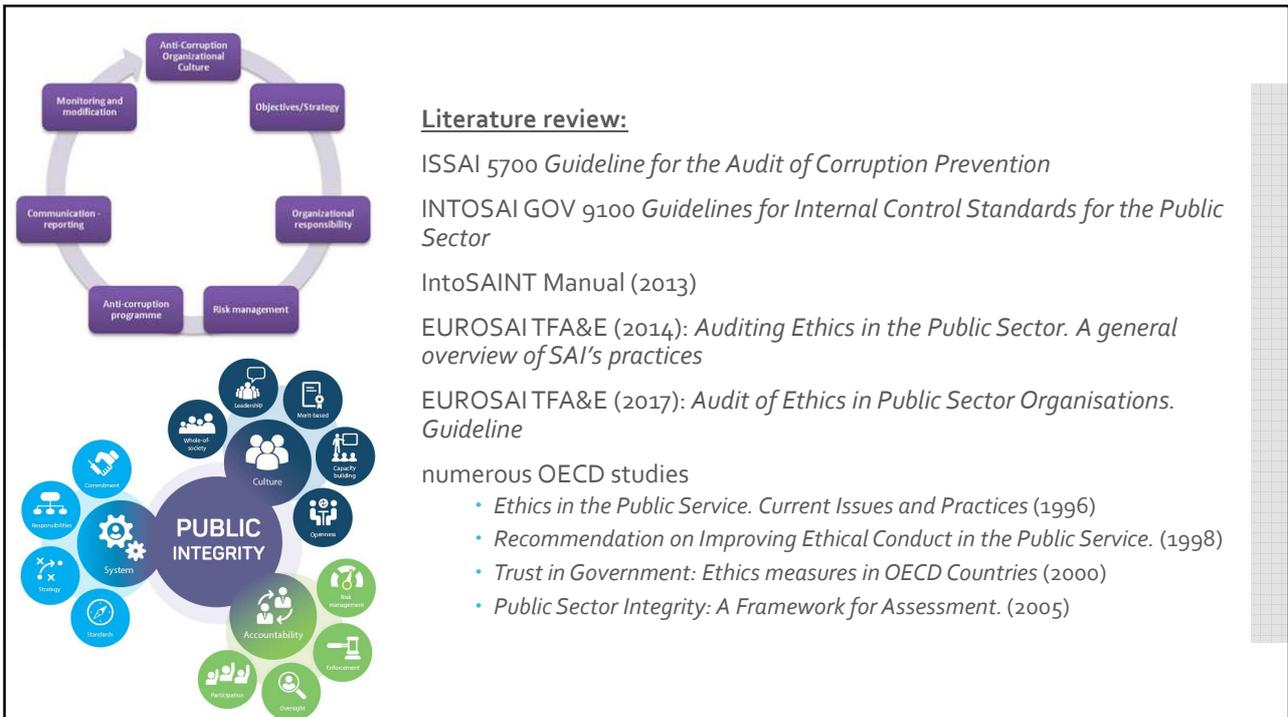
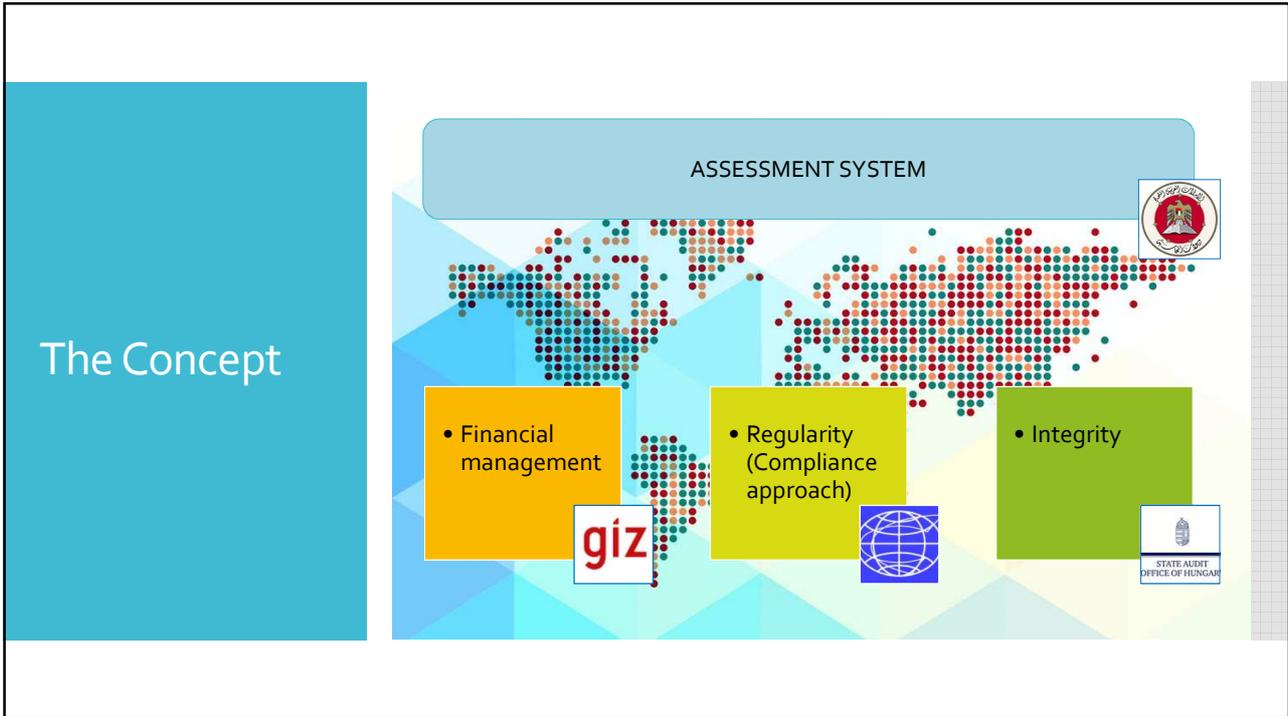
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Background

INCOSAI XXII in Abu Dhabi 2016

- SAls play an important role in the implementation of SDGs.
- The four approaches confirmed by the Congress
 - Assessing the preparedness of national governments
 - Undertaking performance audits
 - Contributing to the implementation of SDG 16
 - Acting as models of transparency and accountability in their own operations





Concept of integrity in international literature

INTOSAI has taken the COSO model developed in 1992 as a basis for determining integrity. According to its interpretation, *integrity is a quality or state of mind based on solid moral foundations, including honesty, sincerity and good faith, and the pursuit of compliance and acting in harmony with our declared values.* *

According to the **OECD's** position statement, integrity is *one of the cornerstones of good governance* maintaining confidence in it and contributing to the prevention of corruption. **

The definition used by the **SAO** focuses on substantive content by giving precedence to the realization of the public interest. Accordingly, integrity *"represents the totality of [all] qualities, abilities, attitudes and behavioural patterns, aimed at serving the public interest and ensuring the proper, efficient and effective operation of public administration".* ***

* INTOSAI GOV 9100 p.65.

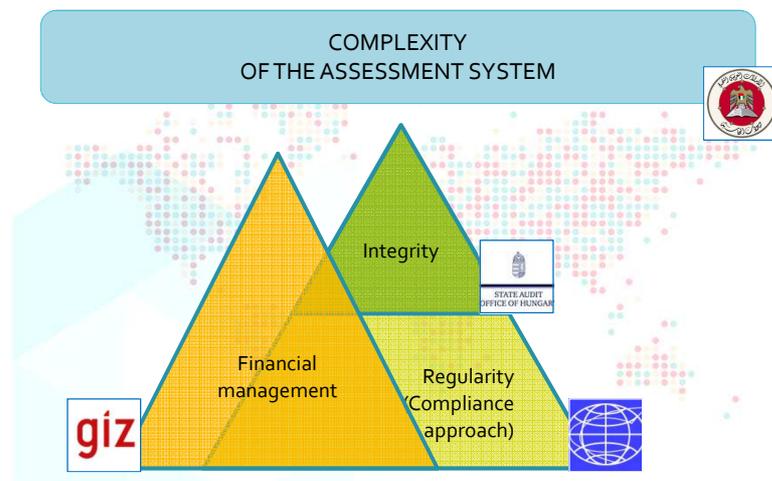
** OECD (2009): Towards a Sound Integrity Framework: Instruments, Processes, Structures and Condition for Implementation. OECD, Paris

*** http://integritas.asz.hu/mi_az_integritas

Structure of the integrity assessment module

Principles:

- Part of an organic whole



Structure of the integrity assessment module

Principles:

- Part of an organic whole
- Based on international literature & on an internationally accepted model

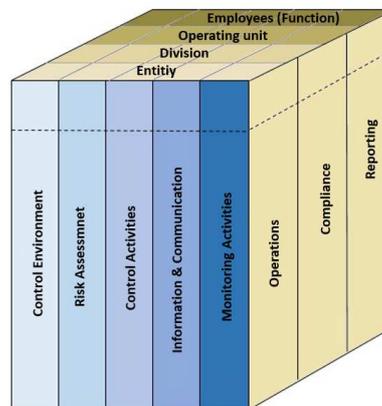


COSO Cube (2013 Edition)

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The existence of integrity controls can be illustrated by a 90-degree rotation of the COSO cube and it can be conveniently mapped by examining the “topmost” segment of the control system defined by the 5 areas.

Integrity issues in the 5 areas of COSO model

- While designing their **control environment**, public institutions declare the values and principles expressing their integrity.
- In the framework of their **risk management** activities, public institutions reveal and evaluate the risks to their integrity.
- In the areas jeopardizing their integrity, public institutions operate effective **controls**, that are more stringent than legally required, if necessary.
- Through their established **information and communication system**, public institutions communicate effectively their values, principles and efforts to monitor them to their employees and to the outside world.
- Public institutions operate a **monitoring system** in order to detect weaknesses in integrity controls and integrity violations and to sanction any detected integrity violations.

Methodology

Principles

- Comprehensiveness vs. General validity
- Comparability
- Being part of a complex evaluation

5
questions on
each topic



Examples

Score value of 0 to 1
Maximum score is 25 points

Control Environment

Does the management of the organization define ethical requirements for all employees?

Instructions
The answer to the question is 'Yes', if all activities at the organization are covered by the code of conduct (or code of ethics) and it applies to all employees (staff and managers), and also to third party experts acting on behalf of the

Risk Assessment

Does the risk management system cover risks associated with cooperation with private sector organizations?

Instructions
The answer to the question is 'Yes' if based on operational processes of the organization and/or internal/external including risks arising from cooperation with private institutions,

Control Activities

Is there a systematic job rotation within the organization?

The answer to the question is 'Yes', if according to the HR-policy or other internal regulations all organizational functions and tasks are subject to mandatory, scheduled job rotation.
The answer to the question is 'On a case-by-case basis', if according to the HR-policy or other internal regulations only certain occupational functions and tasks are subject to mandatory, scheduled job rotation.

Information & Communication

Does the organization determine who is entitled to communicate with third parties on its behalf?

Instructions
The answer to the question is 'Yes', if communication with third parties is regulated by the organization in a stipulating the terms and conditions, and also those authorised positions are authorised to communicate with third parties.

Monitoring Activities

Instructions
The answer to the question is 'Yes', if pursuant to the internal audit schedule, internal audits are extended to cover also integrity issues in addition to compliance issues.
The answer to the question is 'No', if pursuant to the internal audit schedule, internal audits do not cover integrity issues beyond compliance issues.

Thank you for
your kind
attention!



INTOSAI
GUID
TOOL for
achieving
SDGs