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Helping You Succeed with Confidence




AUDITING ETHICS PROGRAMS TO ADDRESS CULTURE AND CONDUCT

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TODAY'S LEARNING OBJECTIVES



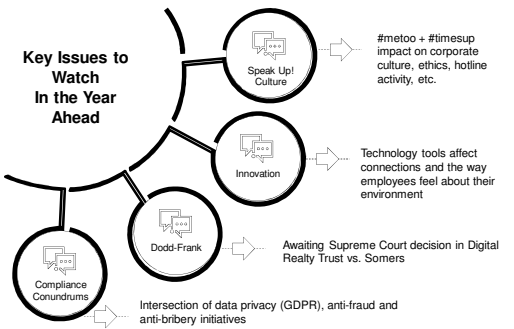
1. Understand hot topics impacting Ethics, Culture and Conduct.
2. Prepare to successfully plan an Ethics Program Audit.
3. Understand interdependent relationships between performance strategies.
4. Distinguish between ethics and compliance for internal control purposes.
5. Articulate frameworks for review of ethics programs.
6. Provide case study as a learning tool in executing an Ethics Program Audit.

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2018 HOT TOPICS IMPACTING ETHICS, CULTURE AND CONDUCT

Key Issues to Watch In the Year Ahead



- Speak Up! Culture** → #metoo + #timesup impact on corporate culture, ethics, hotline activity, etc.
- Innovation** → Technology tools affect connections and the way employees feel about their environment
- Compliance Conundrums** → Intersection of data privacy (GDPR), anti-fraud and anti-bribery initiatives
- Dodd-Frank** → Awaiting Supreme Court decision in Digital Realty Trust vs. Somers

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SETTING THE STAGE: FOUNDATIONAL CONCEPTS

FINDING INSPIRATION

"In looking for people to hire, you look for three qualities: integrity, intelligence, and energy. And if they don't have the first, the other two will kill you."
-- Warren Buffet

"Culture eats strategy for breakfast."
-- Peter Drucker / Mark Fields

"Integrity has no need of rules."
-- Albert Camus

"In failing circumstances no one can be relied on to keep their integrity."
-- Ralph Waldo Emerson

"Honesty is the first chapter in the book of wisdom."
--Thomas Jefferson

"Real integrity is doing the right thing, knowing that nobody's going to know whether you did it or not."
-- Oprah Winfrey

"The truth of the matter is that you always know the right thing to do. The hard part is doing it."
-- Gen. Norman Schwarzkopf

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RENEWED FOCUS

Over the last five years, events have led to renewed focus on ethics, culture, conduct and compliance.

Year	Key Events
2012	<ul style="list-style-type: none"> Penn State University fine of \$110M + 6-year post-season ban Scott Thompson, Yahoo CEO, resigns over embellishment of resume
2013	<ul style="list-style-type: none"> Genetically engineered wheat scandal Illegal credit card billing practices Allegations of racial profiling by retailers Silicon Valley love triangle
2014	<ul style="list-style-type: none"> Labor market manipulation Misleading advertising FX manipulation
2015	<ul style="list-style-type: none"> Emission test cheating FIFA corruption scandal HIV/AIDS drug price gouging Brand scandals involving corporate culture, living wage and unpaid overtime
2016	<ul style="list-style-type: none"> The Panama Papers data leak and secret offshore accounts Fraudulent customer account scandal Equifax pricing gouging Airline customer service
2017	<ul style="list-style-type: none"> The Paradise Papers data leak and secret offshore accounts Systemic sexual harassment Disrespectful CEO behavior, use of "unethical/illegal" tools and IP infringement lawsuit

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THE SILVER LINING

Excerpted from 2017 World's Most Ethical Companies List – www.Ethisphere.com



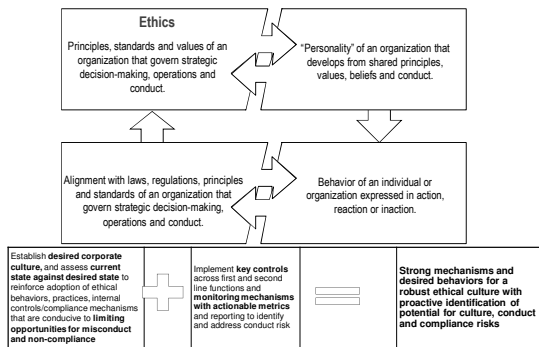
6 Honorees from Energy & Utilities Industry

7

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RELATIONSHIP BETWEEN "E" AND "C(s)" STRATEGIES

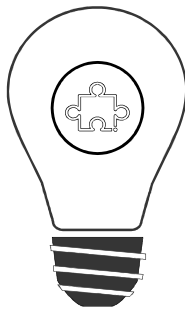


8

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PURPOSE OF AN ETHICS PROGRAM



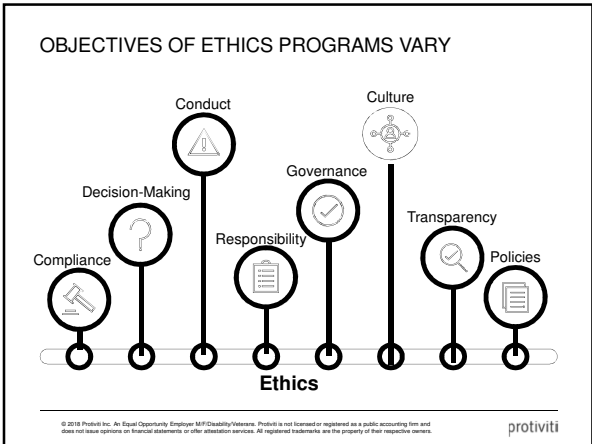
The purpose of an **Ethics Program** is to establish a set of values and culture that encourages ethical-decision-making, as compared with a **Compliance Program** which prevents and detects criminal conduct and promotes an organizational culture that is committed to ethical conduct and compliance with the law.

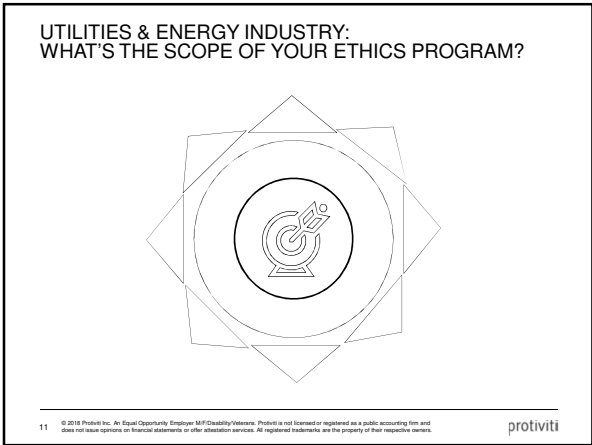
While some organization have separate and distinct programs, many have combined these interdependent functions into a single, "**Ethics & Compliance Program.**"

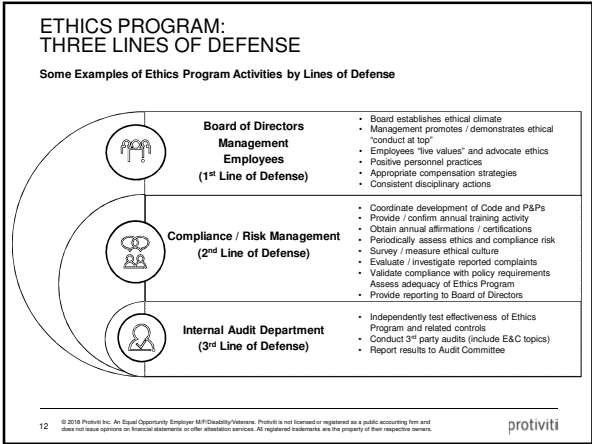
9

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ETHICS AUDIT: PLANNING CONSIDERATIONS

ASK YOURSELF

Given recent ethical failures across a variety of industries, has there has been ongoing dialog within your organization related to Ethics? Have there been any discussions with the Audit Committee, Senior Management and the Ethics Officer relative to assessing the Ethics Program?

Do you already assess the organization's Ethics Program as a part of existing compliance audits or as a stand alone audit? Do other departments conduct such audits?

Has your organization defined internal controls across the first and second line of defense in order to establish, promote and manage the Ethics Program?

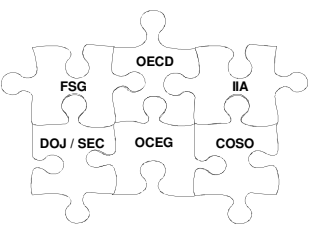


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EXAMPLES OF FRAMEWORKS FOR EVALUATING ETHICS PROGRAMS

1	Federal Sentencing Guidelines for Organizations (Chapter 8.B.2)
2	Organization for Economic Co-operation and Development Good Practice Guidance on Internal Controls, Ethics and Compliance
3	IIA Practice Guide – Evaluating Ethics-Related Programs and Activities + Auditing Culture – A Hard Look at the Soft Stuff
4	Department of Justice – Evaluating Corporate Compliance Programs + Hallmarks of Effective Compliance Programs (published w/SEC)
5	Open Compliance & Ethics Group's Redbook 3.0
6	Committee of Sponsoring Organizations Entity Level Control – COSO 2013 – Control Environment / Principle 1 / Points of Focus

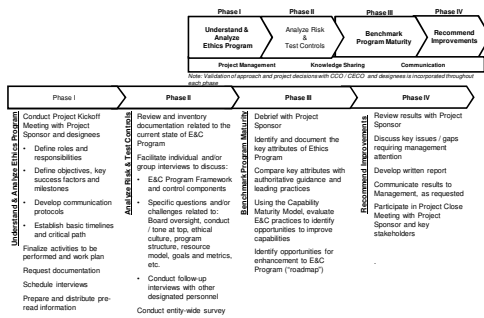


NOTE: Also consider regulatory and industry-specific guidance

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CASE STUDY: WORK PLAN OVERVIEW



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DESCRIPTION OF CAPABILITY MATURITY MODEL FRAMEWORK: ETHICS & COMPLIANCE PROGRAM

Capability Maturity Model – Stages of Capability (IIA)



Excerpted from Internal Auditing: Assurance and Consulting Services, © 2009 The Institute of Internal Auditors Research Foundation

Internal Audit may consider the six (6) key elements of an effective Ethics and Compliance Program as outlined in: *Internal Auditing: Assurance and Consulting Services* (IA Research Foundation)

INTERNAL AUDIT	CONDUCTOR	CONTRACTS, TERMS & CONDITIONS	INTERNAL AUDIT
CONDUCTOR	INTERNAL AUDIT	INTERNAL AUDIT	INTERNAL AUDIT
INTERNAL AUDIT	INTERNAL AUDIT	INTERNAL AUDIT	INTERNAL AUDIT
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OVERCOMING CHALLENGES


- 1 **Ethics, culture and conduct are *sensitive topics*.**
- 2 **Mindset against investment in auditing "soft stuff."**
- 3 **Measuring *effectiveness* of "value internalization."**
- 4 **Perception vs. reality (or is it really the same)?**
- 5 **Documentation of gaps and weaknesses.**

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OPEN DIALOGUE

QUESTION & ANSWERS



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