

# THE BLIND SPOTS OF AUDITING ETHICS IN AN ORGANISATION

dr. Matej DRAŠČEK, CIA CRMA  
CFSA

Head of internal audit, LON  
bank, Slovenia

email: [matej.drascek@gmail.com](mailto:matej.drascek@gmail.com)

# WHAT IS ETHICS?

Ethics refers to well-founded standards of right and wrong that prescribe what humans ought to do.

Ethics refers to the study and development of one's ethical standards.



# WHAT IS ACTUALLY RIGHT?

## T The footbridge dilemma

The person on the bridge can choose to push the large person onto the track, thereby killing that person but potentially stopping the tram and saving the five people further down the track.



There is a runaway trolley heading towards five people tied to the tracks. You are standing on a footbridge next to a large person. You can pull a lever to switch the trolley to a side track where there is one person tied to the tracks.

Do nothing and let the trolley continue on its way.  
Pull the lever, causing the trolley to switch to the side track.

Which is the morally right choice?

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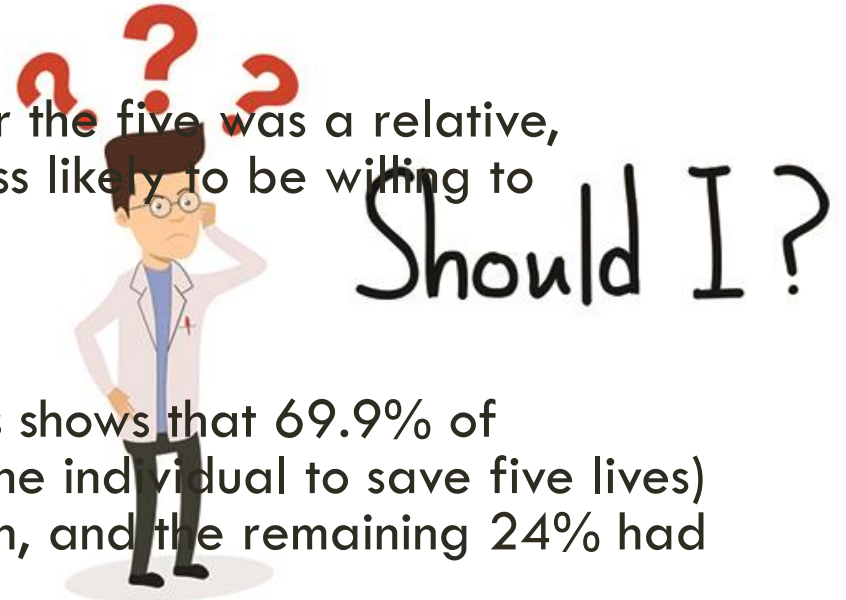
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# WHAT DOES RESEARCH SAY?

The trolley problem has been the subject of many surveys in which about 90% of respondents have chosen to kill the one and save the five.

If the situation is modified where the one sacrificed for the five was a relative, romantic partner or younger, respondents are much less likely to be willing to sacrifice the one life.

A 2009 survey by David Bourget and David Chalmers shows that 69.9% of professional philosophers would switch (sacrifice the one individual to save five lives) in the case of the trolley problem, 8% would not switch, and the remaining 24% had another view or could not answer.



# SO WHEN AUDITING ETHICS, WHAT WE BELIEVE TO BE TRUE?



# THE CODE OF CONDUCT

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>

# ARE WE ETHICAL OR WE JUST SAY SO?

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the apartment  
the police v

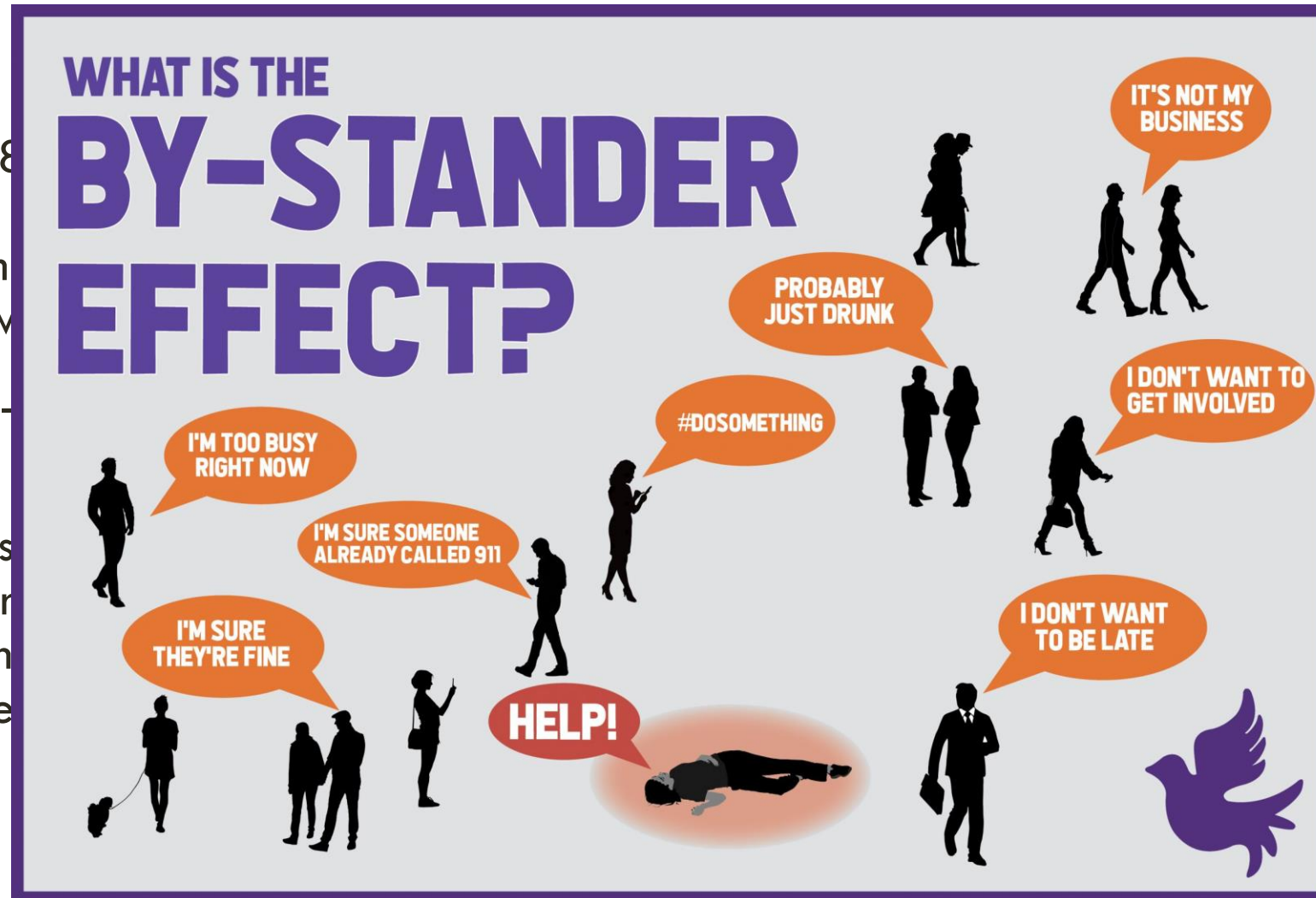
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# WHISLEBLOWING TOOLS

Whistleblowing with the bystander effect could be self-serving tool combined

What to do?

- Conduct a mock performance for an unethical behavior



# ARE WE ABLE TO CHANGE OUR MORAL DEVELOPMENT?

#	Level	Stage	Heinz should steal the drug, because	Heinz should <i>not</i> steal the drug, because
1	Pre-Conventional	Obedience	It is only worth \$200 and not how much the druggist wanted for it; Heinz had even offered to pay for it and was not stealing anything else.	He will consequently be put in prison which will mean he is a bad person.
		Self-interest	He will be much happier if he saves his wife, even if he has to serve a prison sentence.	Prison is an awful place, and he would more likely languish in a jail cell than over his wife's death.
2	Conventional	Conformity	His wife expects it; he wants to be a good husband.	Stealing is bad and he is not a criminal; he has tried to do everything he can without breaking the law, you cannot blame him.
		Law-and-order	His wife will benefit, but he should also take the prescribed punishment for the crime as well as paying the druggist what he is owed. Criminals cannot just run around without regard for the law; actions have consequences.	The law prohibits stealing.
3	Post-Conventional	Social contract orientation	Everyone has a right to choose life, regardless of the law.	The scientist has a right to fair compensation. Even if his wife is sick, it does not make his actions right.
		Universal human ethics	Saving a human life is a more fundamental value than the property rights of another person.	Others may need the medicine just as badly, and their lives are equally significant.

# GOALS LEAD TO ...

Challenging performance goals can cause employees to cheat

What

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>



# **THANK YOU**

## **Q&A**

Email: [matej.drascsek@gmail.com](mailto:matej.drascsek@gmail.com)