Session 5: Monitoring and evaluation

Promoting Organizational ethics to drive organizational improvements: ISTAT experience

13 September 2019
The organizational culture is: “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems”. Edgar Schein.
Ethics & Integrity Management approach: Standard and Principles

The first principle of the 2013 CO.So. Model states that “The organization demonstrates a commitment to integrity and ethical values”; it means that Management and the board of directors or oversight bodies are expected to lead by example in developing values in the pursuit of the entity’s objectives.

Such values balance the different needs and concern different stakeholders, such as employees, suppliers, customers, competitors, regulators, investors, and the wider community”.

According to the ISO31000:2018, The effectiveness of risk management will depend on its integration into the governance of the organization, including decision-making.

This requires support from stakeholders and, particularly, from the top management.
Ethics & Integrity Management in ISTAT: Strategy

- The **Mission** of the Italian National Institute of Statistics is “to serve the community by producing and communicating high-quality statistical information, analyses and forecasts in complete independence and in accordance with the strictest ethical and professional principles and most up-to-date scientific standards...”;

- ISTAT **Vision** is aiming at: “being an innovative administration which is committed to serving the community by placing value on the professionalism and integrity of its staff, creating appropriate working conditions and minimising its impact on the environment.

  *Istat respects the privacy of respondents, protects the confidentiality of the data that it gathers and carries out its activities in a transparent, independent manner...”.

Mission and vision are declined **in strategical programs**, including those ones whose target recall the implementation of **ethical principles and the prevention of fraud behavior**.
The objective of preventing anti-ethical behaviors, is represented by strategic programs:

- **“Solidity and security”**, which includes both ongoing initiatives and innovative projects, associated with measures to prevent corruption risks classified in the “Statistical services and products” and in the “Relationships with External Stakeholders” Risk Areas;

- "Improvement of effectiveness and efficiency" which includes activities associated with measures against corruption risks, within the "Public Contracts", "Personnel Management", "Planning, controls, and sanctions" Risk Areas.

**ISTAT** yearly provides 3 integrated documents reporting 3-years actions plans:

- The Strategic & Performance Plan *(objectives, indicators and targets, available resources)*;
- The Performance Report *(results, deviations from the expected goals, corrective actions)*;
- The Preventing corruption and Promoting Transparency Plan *(corruption risks analysis and preventing measures planning)*.
Ethics & Integrity Management in practice: Fraud Risk Management

The Italian national Fraud prevention policy

The Act n. 190/12 obliges all the public administrations to put in place suitable mechanisms and ensure high ethical standards to prevent anti-ethical behaviors.

The comprehensive system to prevent corruption and anti-ethical behaviors in public sector is characterised by a two-level prevention strategy.

- At the national level, the Italian National Anticorruption Authority (ANAC) issues the National Anticorruption Plan (NAP), yearly updated.

- At the “decentralized” level, every public administration defines its own three-years Anticorruption Plan according to the National Authority requirements.
ISTAT Risk Management system refers to the architecture described by the ISO 31000:2009, which includes:

1. the Principles (applied at all levels of administration);
2. the Framework (comprising the Mandate) adopted by the Board;
3. the Process (phases and players).

ISTAT Risk Management process entails: analysis of the internal and external context; risk assessment: identification, measurement, evaluation and weighting; risk treatment; measures monitoring and review control evaluation, information and communication;

It leads to a reduction in the likelihood and/or the effects, through a planned and cyclical process preventing the behaviors potentially risky and detrimental to the administration integrity.
The Fraud Scheme

**FRAUD SCHEME:** Set of factors that qualify an existing event of corruption, composed by (at least): Author(s), Risk, Behavior, Cause(s) and Effect(s).

- **Risk**
  - Effect of uncertainty on the regular pursuit of public interest and on institutional objectives, due to the possibility of occurring a given event

- **Event**
  - Occurrences or changes, concerning a set of circumstances, that could hinder entity’s institutional objectives

- **Behavior**
  - Action by which an act or omission is committed by one or more persons with the aim to realize an act of corruption in a “broad” sense.

- **Cause**
  - Voluntary or forced push to act a corrupt behavior

- **Effect**
  - Any situation of unfair advantage in favor of the offender or unfair loss against third parties, organizations or communities
Examples from the ISTAT Risk Register

<table>
<thead>
<tr>
<th>Category</th>
<th>Area</th>
<th>Risk</th>
<th>Effect</th>
<th>Mitigation Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATIONAL</td>
<td>Technology</td>
<td>Poor integration between the IT systems for programming and those for accounting</td>
<td>Misalignment between the information for programming and those relating to the financials</td>
<td>Establishing a procedure and an integrated information system between planning, administration and accounting</td>
</tr>
<tr>
<td>OPERATIONAL</td>
<td>Technology</td>
<td>Lack of integration between the IT system for the HR management and other information systems</td>
<td>Loss of efficiency and growth of the resources used in the process</td>
<td>Import from the accounting system of the payroll information to avoid manual loading data</td>
</tr>
<tr>
<td>STRATEGY</td>
<td>Statistical Production</td>
<td>Transmission of questionnaires completed incorrectly</td>
<td>Low quality of statistical data</td>
<td>Monitoring the process of collection data by local authorities</td>
</tr>
<tr>
<td>STRATEGY</td>
<td>Statistical Production</td>
<td>Fragmentation of the survey units</td>
<td>Decrease in the quality of statistical data</td>
<td>Creation of alternative means of data collection at the municipal offices</td>
</tr>
<tr>
<td>STRATEGY</td>
<td>Statistical Production</td>
<td>Reducing the amount of data collected on the local area</td>
<td>Reduction or end of data supplying; Loss of funding</td>
<td>Conduct and award of a tender for three-year charter of tablet PCs for data detectors of the municipal consumer prices.</td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Fraud</td>
<td>Improper use of the data contained in administrative files for the depletion of the intellectual property rights</td>
<td>Unreliability of official statistics</td>
<td>Defining a monitoring procedure to identify any unauthorized access to information systems</td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Fraud</td>
<td>Manipulation of the procedures for issuing data for inappropriate purposes</td>
<td>Collapse of the reputation and decreased quality in statistical production</td>
<td>Intensification of monitoring compliance with the procedure of data dissemination</td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Fraud</td>
<td>Failure to comply with procedures and/or internal regulations for the awarding of management and non-management offices</td>
<td>Poor organizational performance due to the empowerment of staff without sufficient expertise</td>
<td>Intensified checks on certifications and CV presented by the candidates during the selection procedures</td>
</tr>
<tr>
<td>COMPLIANCE</td>
<td>Fraud</td>
<td>Alteration of checks on execution of works or on delivery of supplies</td>
<td>Poor execution of supplier performance due to lack of quality controls</td>
<td>Preparing and issuing directives for monitoring the services performance complying with the contracts signed</td>
</tr>
</tbody>
</table>
Fraud Risk Catalog - 2019

The original bottom-up approach is being integrated with a top-down one in order to enhance quality and significance of the information contained in the risk registers; some strategic risk categories and their related «corporate risks» are annually selected.

By the implementation of the corruption risk management process, according to the top-down approach, the three-year plan of prevention of corruption comes, showing the risks identified and the behaviors that can cause them.

<table>
<thead>
<tr>
<th>Critical Events</th>
<th>Area - Personnel</th>
<th>Area B - Tendering Procedures</th>
<th>Area C - Financial grants</th>
<th>Area D - Not Financial Grants</th>
<th>Other Areas</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks</td>
<td>1</td>
<td>8</td>
<td>3</td>
<td>30</td>
<td>42</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>1</td>
<td>6</td>
<td></td>
<td>9</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Behaviours</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>84</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Behaviours/Risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,0</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,8</td>
<td></td>
</tr>
<tr>
<td>Treatments</td>
<td>3</td>
<td>15</td>
<td>5</td>
<td>60</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>3</td>
<td>11</td>
<td></td>
<td>16</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Treatments/Risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,0</td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,9</td>
<td></td>
</tr>
</tbody>
</table>

Corporate risks are monitored by means of proper output and performance indicators.
Fraud Risk treatment

Planning must contain programming (scheme) helpful to reduce risks likelihood, according to risk areas, showing:

1. Responsibilities;
2. Objectives;
3. Timesheet & implementation phases;
4. Units responsible for implementation;
5. Monitoring indicators and expected results;
6. Implementation Control & Audit

To verify the effectiveness both of the prevention system and the integration of the FRM objectives with the Institute strategic and operational planning, ISTAT:

- set up organizational model embedding the ethics dimension into mission, to tackle anti-ethic behaviors;
- adopts preventing measures against the "priority" corruption risks, and monitors their effectiveness;
- links the measures with one or more outputs regarding individual and organizational performance;
- evaluates the ethical leadership in establishing a working environment based on well-being and equal opportunities.
**Integration between FRM and Performance Evaluation Plan**

The **main objective of the integration** between the fraud prevention system and the performance evaluation system consists in **verifying whether the maintenance of a high level of organizational ethics reflects an improvement of the results**, achieved by the organization as a whole, through **the mitigating actions** assigned to some managers.

<table>
<thead>
<tr>
<th>RISK OF CORRUPTION</th>
<th>PROGRAMMING OF RISK TREATMENTS (2019)</th>
<th>PROGRAMMING OF OPERATIONAL ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Event description</td>
<td>Treatment</td>
<td>Responsible of treatment</td>
</tr>
<tr>
<td>Intermediante</td>
<td>Final Output</td>
<td>Final Output (31/12/2019)</td>
</tr>
<tr>
<td>output (not mandatory)</td>
<td>Output indicator</td>
<td>Output indicator</td>
</tr>
<tr>
<td>Target indicator</td>
<td>Entity or body responsible for adopting the act</td>
<td></td>
</tr>
<tr>
<td>Code of activity</td>
<td>Description of activity (Project)</td>
<td></td>
</tr>
</tbody>
</table>

- **11.B_Manipilation of contract management procedures: execution phase**
  - Procedure for managing contract varying
  - Directorate for executive affairs
  - Procedure draft revision (80%)
  - Procedure (adoption)
  - State of progress
  - 100%
  - Director General
  - 794
  - Legal and administrative optimisation of public procurement procedures

- **05.F_Unauthorised use of data for intellectual property exploitation**
  - Training courses on correct use of data
  - Directorate for human resources
  - Planning (50%) and implementation (50%) of courses
  - Training course and final report
  - Implementat ion of 2 courses
  - 100%
  - Director for human resources
  - 1283
  - Training and learning

- **01.H_Unauthorised disclosure of statistics, even sensitive, data end information**
  - Defining a control procedure to identify any undue access
  - Directorate for data collection
  - Creating a Repository and defining an access control system
  - Design and implementation of the centralized Repository
  - Creating a Repository and defining an access control system
  - 85%
  - Director for data collection
  - 1117
  - RD Enhancing data security 2017-2019

**For example**, in order to contain and prevent the **risk related to the unauthorized disclosure of statistical data**, even sensitive, a **procedure to monitor any undue access to data store systems was scheduled in 2017**; based on the positive results, in 2018, a **more adequate repository was realized** as well as a structured and computerized system of controls was set up.
ETHICS Risk Treatment: Code of Conduct

ISTAT introduced in 2016 a **Code of conduct**, particularly consistent with the professional competencies of a statistical organization, which defines the **ethics-oriented behavior**:

“the **ethically and legally adequate conduct** that all the staff, including the top managers and members of the governing bodies, must follow”.

Regarding the **statistical production** process, the **Code states**:

“**The employee**:

- **undertakes to observe the principle of confidentiality.** In particular, it is required **not to provide confidential information** on the contents of activities, decisions to be taken and provisions relating to procedures, before having been officially approved and formally communicated;

- is **also required to respect the rules on the information disclosure about surveys and processes**;

- is **obliged not to use confidential information for purposes not related to the pursuit of his activity** and to pay diligence and attention to accidental disclosure”.

**Violating the Code is liable to disciplinary actions** according to the principles of gradation and proportionality and taking into account the specific behavior and the reputation damage.
Double Impact & Back-n’-Forth tracks

The implementation of the preventing measure, aimed at facilitating the ethically correct use of the data managed by the Institute determines a DOUBLE IMPACT in terms of:

- the increase of the level of data security;
- the improvement of the organizational efficiency in managing the Institute’s core activities such as the statistical data production process.

Individuals generate outstanding results and outstanding results also impact on individuals behaviors, taking up the “BACK-n’-FORTH” tracks.
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