

Workshop on Culture Evolution

Session 5: Monitoring and evaluation

Promoting Organizational ethics to drive organizational improvements: ISTAT experience

13 September 2019

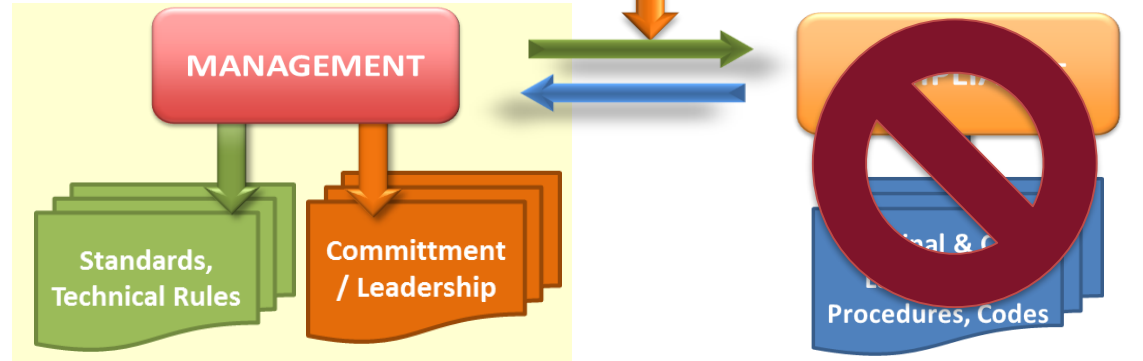
Geneve, 11-13 September 2019

Organizational culture to improve Ethics & Integrity

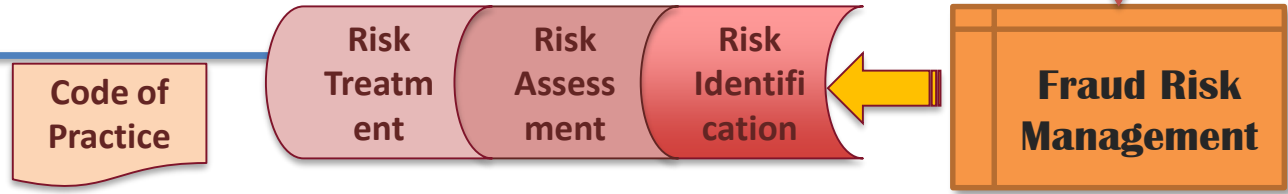
Organizational Culture



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



VALUE ADDED



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”.



Source: Co.SO. Model 2013:2016



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 strategic programs**, including those ones whose target recall the implementation of **ethical principles and the prevention of fraud behavior**.

Ethics & Integrity Management in ISTAT: Strategy

The objective of **preventing anti-ethical behaviors**, is represented by strategic programs:

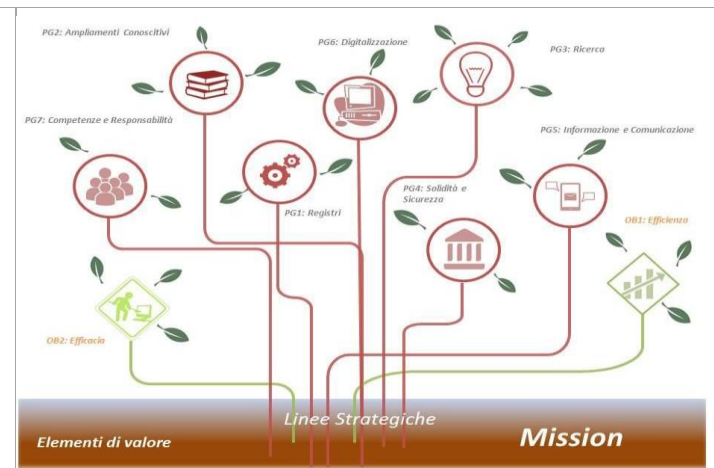
❑ **“Solidity and security”**, which includes both ongoing initiatives and innovative projects, associated with measures to prevent corruption risks classified in the **“Statistical services and products”** and in the **“Relationships with External Stakeholders”** Risk Areas;

❑ **“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.

Strategical Programs

PG1 – Integrated Registries System
PG2 – Expanding Knowledge
PG3 – Thematic and methodological research
PG4 – Solidity and safety
PG5 – Information and Communication
PG6 – Processes and data digitalization
PG7 – Competencies and accountabilities

Ob1 – Efficiency
Ob2 – Effectiveness



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).

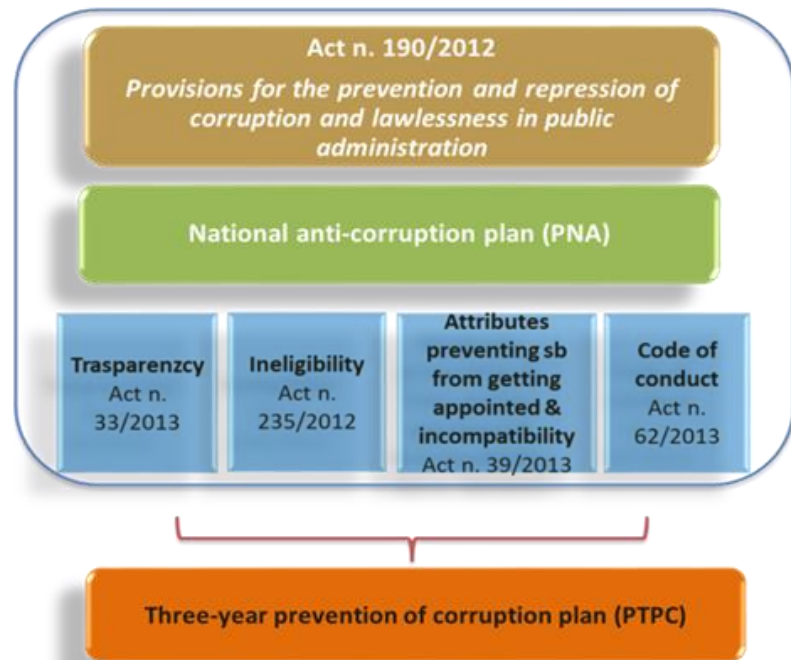
Ethics & Integrity Management in practice: Fraud Risk Management

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**.

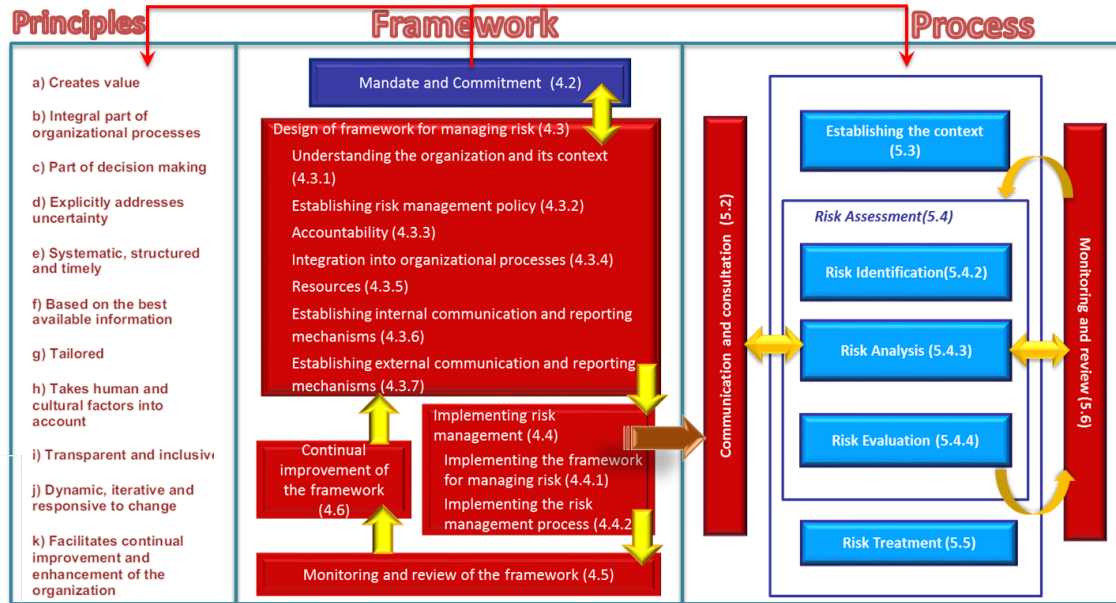
- At the national level, the Italian **National Anticorruption Authority** (ANAC) issues the **National Anticorruption Plan** (NAP), yearly updated.
- At the “decentralized” level, every public administration defines its own **three-years Anticorruption Plan** according to the National Authority requirements



Fraud Risk Management System in Istat

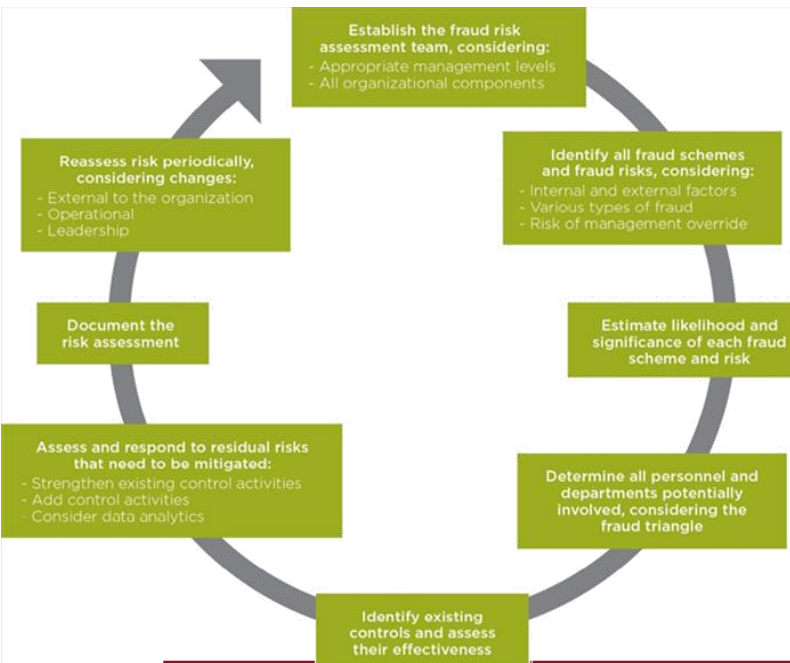
ISTAT Risk Management system refers to the **architecture described by the ISO 31000:2009**, which includes:

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

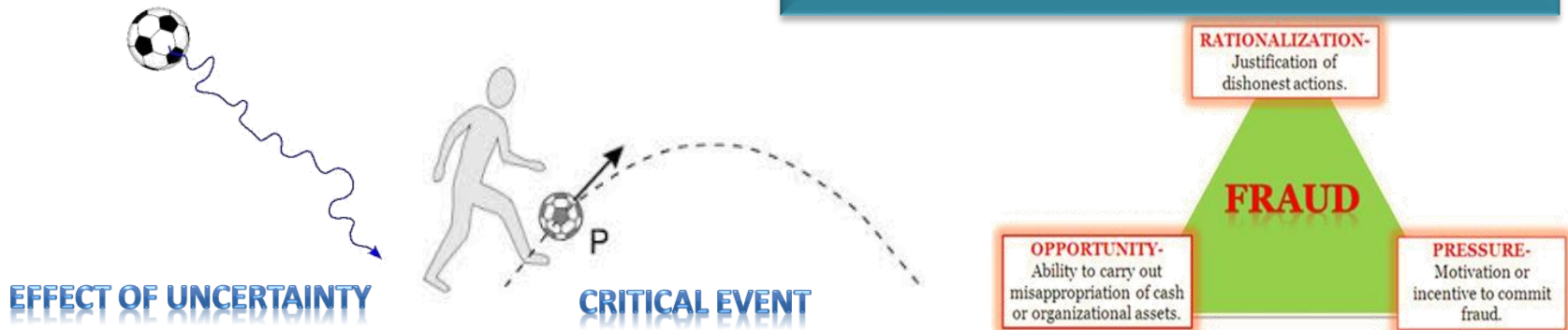
- Occurrences or changes, concerning a set of circumstances, that could hinder entity's institutional objectives

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



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

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**.

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

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. **Responsibles;**
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**:

Risk Treatment		
Proposer Responsible Controller		
Risk		
Process		
Phase		
Behaviour		
Enabling Factors		
Time of Validity		
Objectives		
Indicators and control procedure		
Procedure	
Format		
Phases	Unit	Timesheet
1.
2.

set up organizational model **embedding the ethics dimension into mission**, to tackle anti-ethical 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.**

RISK OF CORRUPTION	PROGRAMMING OF RISK TREATMENTS (2019)							PROGRAMMING OF OPERATIONAL ACTIVITIES	
	Event description	Treatment	Responsible of treatment	Intermediate output (not mandatory)	Final Output (31/12/2019)	Output indicator	Target indicator	Entity or body responsible for adopting the act	Code of activity
11.B_Manipulation 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	Implementation 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:

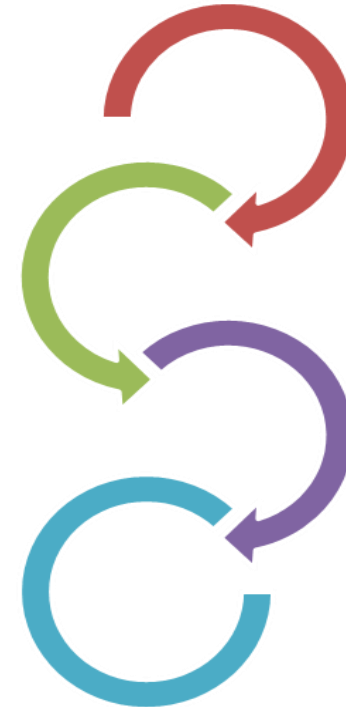
- ❑ the **increase of the level of data security**;
- ❑ the **improvement of the organizational efficiency** in managing the Institute's core activities such as the statistical data production process.

Unauthorized disclosure of statistical data

Procedure to monitor any undue access to data store systems

Increase of the data security level

Improvement of organizational efficiency



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



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