

ETHICAL BEHAVIOR AUDITING

INTRODUCTION AND INSTRUCTIONS

The Institute of Internal Auditors Research Foundation (IIARF) is the global leader in providing research and knowledge resources to enhance the internal audit profession.

The IIARF continually monitors the needs of the internal audit profession and its stakeholders to identify high priority topics for future projects. These high priority topics can either become Research Projects or Educational Products

Research Projects focus on discovering new information about the internal audit profession using academic research methods such as surveys, focus groups, interviews, case studies, literature review, and data analysis. Whenever possible, research projects should include implications or applications for practitioners.

Educational Products are designed to provide information that internal audit practitioners can use on the job. Educational products often include “how-to” information, tools, best practices, and so on. (A research component can support the educational product.)

The following request for proposal is for a **research project**, and a global scope is encouraged. Please note that submission guidelines were updated in 2012. Any proposal that does not follow the updated guidelines will be returned for revisions.

The review process normally lasts 4–6 weeks, but may take longer.

Return your proposal as a Microsoft Word document or PDF via email to research@theiia.org.

ALL RESPONSES TO THIS REQUEST FOR PROPOSAL ARE DUE NO LATER THAN MARCH 11, 2013.

If additional information is needed, please contact The IIA Research Foundation:

Tel: +1-407-937-1356

Email: research@theiia.org

Thank you for your interest in The Institute of Internal Auditors Research Foundation. We look forward to working with you.

TOPIC INFORMATION

Priority Topic Title	Ethical Behavior Auditing
Topic Summary	How internal auditors can address ethical behavior in their organizations through assessing: <ul style="list-style-type: none"> • Risks associated with unethical behavior. • Tone at the top. • Codes of conduct.
Product Type	Choose one: <input checked="" type="checkbox"/> Research Report (applied) <input type="checkbox"/> Research Report (add to knowledge base, theoretical)
Problem the Research Will Address	The highest risk of fraud arises from unethical human behavior. In fact, unethical human behavior has been at the root of every corporate scandal. Internal auditors are required by The IIA’s <i>International Standards for the Professional Practice of Internal Auditing (Standards)</i> to have “sufficient” knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization. Therefore, internal auditors need methods for evaluating the ethical behavior climates in their organizations.
Research Question	<ul style="list-style-type: none"> • How do risk managers identify risk in an organization as an outcome of ethical behavior? • What are best-in-class practices for conducting ethical behavior risk assessments? • What are best-in-class controls/processes for managing ethical behavior risks (tone at the top, code of ethics)? • What skills/knowledge do internal auditors need for ethical behavior risk assessments? • What are the differences between global regions in assessing ethical behavior?
Primary Audience/ Secondary Audience	Primary audience: Chief audit executives (CAEs), management, audit committee, internal audit staff, and risk managers in all departments. Global scope. Secondary audience: academics who can use the information in classrooms.
Benefit to the Audience	An ethical behavior audit can bring an organization’s core values and ethics into focus and convey the importance of the values and ethics that contribute to its culture. An ethical behavior audit can provide an opportunity to evaluate the extent to which the organization’s performance complies with its code of ethics.

<p>Topics/Issues</p> <p>Proposals should include:</p> <p>[] At least all of the topics listed. OR [X] The researcher’s selection of options and/or additional topics.</p>	<p>Note: A cross-cultural perspective is needed for all topics.</p> <p>Identifying Ethical Behavior Risks</p> <ul style="list-style-type: none"> • What is considered unethical behavior? Is there generally accepted unethical behavior? • What risks arise from unethical behavior? • What about perception (or appearance) of unethical behavior versus actual unethical behavior (for example, conflicts of interest)? • What knowledge can internal auditors use to sufficiently understand and recognize unethical behavioral traits? What are leading behavioral indicators (profiling)? What is the process to help identify? How do organizations apply, assess, and stop (ethical red flags)? • What are the predictors where good people go corrupt? Where does the culture go bad? • What are lessons learned from unethical behaviors identified in past corporate scandals? <p>Conducting Ethical Behavior Risk Assessments</p> <ul style="list-style-type: none"> • Internal audit roles and approaches to assurance (standard assurance, training, facilitation). • Key players (inside and outside the organization) that internal audit must engage with to succeed. • Are there legal implications of conducting ethical behavior audits? Where unethical behavior is suspected but not proved, what advice should internal auditors seek from general counsel before deciding how to proceed? Should the suspicion be discussed with the chief risk officer to gather additional facts, if any? • Potential legal/moral consequences. • What do stakeholders think of an ethical behavior audit process? • How do ethical behavior risk assessments help the risk assessment process? • What are the key challenges for this type of audit (management sensitivity, internal audit seat at the strategic table, etc.)? <p>Controlling for Ethical Behavior Risks</p> <ul style="list-style-type: none"> • Tone at the top (the ethical tone projected by the leaders at the top of an organization): <ul style="list-style-type: none"> ○ What is the impact of good “tone at the top” on ethical behavior within an organization? ○ How does the governance process in an organization affect the tone at the top (including sustainability and customer service representative initiatives)? ○ What is the impact of good governance on ethics violations?
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	<ul style="list-style-type: none"> ○ Who sets the tone? Who are the key players who will make the tone succeed? What do you need in internal audit? ○ What are the motivations for ethics compliance (for example, executive compensation?) What are the pressure points that lead to unethical behavior? ● Code of ethics: <ul style="list-style-type: none"> ○ What is the impact of a code of ethics on ethical behavior within an organization? ○ What should be in a code of ethics? ○ How should the code of ethics be governed? ○ How does internal audit ensure that employees are aware of and practice the code of ethics? ○ How can internal audit ensure that external stakeholders (including customers/partners/suppliers) are aware of an organization’s code of ethics? ○ What is the mechanism to raise concerns about the issues addressed in the code (including integration with risk management, reporting concerns, whistleblower, and/or investigation processes)?
Methodology	<p>Literature review. Review of previously conducted surveys that include questions about ethics. Focus groups with CAEs.</p>
Sample Size and Description	<p>A global perspective is needed. One option is to ask CAEs in five different regions of the world how they would deal with the same ethical dilemma. Another approach is to talk to CAEs whose organizations conduct business multinationally because they are already dealing across cultures.</p>
Researcher Qualifications	<p>Understanding of risk assessment processes.</p>
Timeframe	<p>12 months</p>
Length of Book or Report	<p>60 pages</p>
Other Possible Content Uses	<p>The Global Ethics Committee will provide guidance and is interested in distributing the output.</p>
Resources to Consult	<p>IIA material. <i>Bribery and Corruption Casebook: The View from Under the Table</i> (ACFE: edited by Joseph Wells and Laura Hymes).</p>

INTERESTED RESEARCHERS AND AUTHORS, PLEASE PROCEED TO THE NEXT SECTION, PROPOSAL SUBMISSION GUIDELINES

PROPOSAL SUBMISSION GUIDELINES

The Institute of Internal Auditors Research Foundation (IIARF) is the global leader in providing research and knowledge resources to enhance the internal audit profession.

Proposals should outline how the requirements of the RFP will be met. Proposals should not exceed **five pages** exclusive of the summary page and appendices described below, and should be organized as follows:

1. Proposal Summary Page
 - a. Name of the priority topic being addressed.
 - b. Product type (education, applied research, or theoretical research).
 - c. Proposal title. (This title should be specific to the proposal, not the same as the name of the priority topic.)
 - d. Date proposal was submitted.
 - e. Primary researcher's name and contact information.
 - f. Proposal abstract. (This should be one to two paragraphs, including research need, primary audience, methodology, and a description of the primary deliverable.)
2. Project Description
 - a. Research questions.
 - b. Application/implications for internal auditors.
 - c. Topics/issues.
 - d. Methodology. (Explain how the proposed methodology will answer the research question. Include drafts of surveys or interview guides in appendices. An incomplete methodology will cause a research proposal to be returned.)
 - e. Sample size and description.
3. Research Team and Budget Description
 - a. Proposed research team members with a *brief description of their roles and qualifications*. (Describe research capabilities and/or academic qualifications related to the topic. Show that an experienced internal auditor is on the research team.)
 - b. Time frame.
 - c. Budget. (Give itemized budget and tell who receives funds.)
4. Deliverable Description
 - a. Length of book or report.
 - b. Other possible content uses.
5. Appendices
 - a. First draft of the interview guide, survey questions, and/or analysis methodology (if applicable).
 - b. Curriculum vitae (CV) for each researcher (three pages maximum).
 - c. Previous researcher affiliation with The IIA (previous research or educational products produced, volunteer participation, chapter officer, etc.).

Submit proposals by MARCH 11, 2013, via email to: research@theiia.org

Further information: research@theiia.org, Tel: +1-407-937-1356, Fax: +1-407-937-1101