

CHAPTER 9: IMPLEMENTING AND AUDITING ETHICS PROGRAMS

PDAF SCAM (2013)

- Priority Development Assistance Fund, commonly known as **Pork Barrel Scam**
- Allocated to legislators to fund small-scale projects : roads, schools, scholarships, health services
- Estimated ₦10 Billion were stolen (2003-2013)

ETHICS AUDIT

- Systematic evaluation of an organization's ethics programs and performance to determine effectiveness of the company
- To check if the ethics program is effective, if employees follow ethical standards, and if the company is complying with its policies, values and the law.
- It Originated from Social Audit
- Ethics Audit is narrower than Social Audit but can be part of it.

ETHICS AUDIT VS SOCIAL AUDIT

ETHICS AUDIT

- Internal ethics and compliance
- Policies, codes of conduct, employee behavior
- Ensures the company follows ethical standards

SOCIAL AUDIT

- External social and environmental impact
- Community programs, environment, society
- Ensures company benefits society

BENEFITS OF ETHICS AUDITING

- Improves ethical conduct and prevents misconduct by identifying weak areas.
- Provides transparency and builds trust among stakeholders.
- Assists in crisis recovery by offering a debriefing opportunity.
- Measures nonfinancial performance to complement financial results.

Challenges in Measuring Nonfinancial Performance

- No universal benchmarks for comparison.
- Risk of incomplete or biased reporting.
- Ethical values and social responsibility are intangible.
- Subjectivity in evaluating culture, trust, and reputation.

MODELS & FRAMEWORKS FOR MEASURING NONFINANCIAL PERFORMANCE

- **Six Sigma** – manages variation and defects in processes.
- **Balanced Scorecard** – links financial and nonfinancial perspectives.
- **Triple Bottom Line** – considers social, environmental, and financial impact.
- **AA1000 Framework** – stakeholder engagement and accountability.
- **INTEGRIA™ Model** – evaluates 10 drivers of integrity (culture, governance, risk, leadership).

- **OCEG Framework** – flexible compliance/ethics guidelines and benchmarking

STAGES OF ETHICS AUDITING

1. Secure top management/board commitment.
2. Form an audit committee/team.
3. Define the scope (business type, risks, opportunities).
4. Review policies and practices.
 - Compare company claims in policies vs actual practices
 - Identify the gaps
5. Select tools and gather data (surveys, reports, records).
6. Independent verification by consultants, accounting firms, NGOs.

STRATEGIC IMPORTANCE OF ETHICS AUDITING

- Build trust with investors, consumers, and communities
- Enables Benchmarking and continuous improvement
- Prepares organizations for crises with stronger recovery and accountability

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