A framework for internal auditors to assess ethics in a national public sector department

JJ Appel
Department of Auditing
University of Pretoria

K Plant
Department of Auditing
University of Pretoria

ABSTRACT

This study proposes a framework that can be used by the internal audit function to assess the culture of ethical behaviour of South African national government departments. The limited number of published articles on the use of ethics frameworks in government, especially in the South African context, indicated a need for such a framework. A review of the literature on the culture of ethical behaviour, related governance frameworks, and the role of the internal audit function was conducted. Based on the literature, attributes for an ethics framework were identified and tested with three interviewees from one national department. The results of the study indicated that an ethics framework could assist the internal audit function in assessing an organisation's ethical culture and help management to enhance the organisation's ethical health.

Key words

Ethical culture; ethics framework; public sector; internal audit function

1 INTRODUCTION

The ethical culture in the South African public sector is fragile, which contributes to public officials behaving unethically. This fragility is evident in the adverse reports issued by the Auditor General, South Africa (AGSA), which highlight large numbers of irregular, and occurrences of fruitless and wasteful expenditure (AGSA 2014:61; AGSA 2015:48). The use of governance and ethics frameworks in the South African public sector is limited in that not all of those in place are enforceable, nor are they inclusive of an ethics management programme or process (as was recommended by the third *King Report on Governance for South Africa 2009* (King III) (IoDSA 2009b:19-22)). This limitation has created the need to develop an ethical framework, for use as standard best practice, in the public sector, with which to measure ethical performance and to enhance good governance. To measure ethics performance, management needs a trusted advisor, such as an internal auditor, who functions independently from organisational day-to-day operations (IIA 2010:33; IoDSA 2009a:80; NT 2009:25). One of the fiduciary duties of the internal audit function is to assess and identify gaps and areas in an organisation's ethical framework that need improvement (IIA 2012b: 11; IoDSA 2009a:8-9). Global research, conducted specifically in the field of internal auditing, suggests that internal audit should be assisting management to build within organisations a culture of compliance that is inclusive of ethical standards (Elmore 2013:51-52; IIA 2012a:1; IIA 2012b:11; NT 2009:51-52).

There is limited guidance for management in the South African public sector on how to build an ethical culture within their organisations. King III was issued in 2009, but only introduced to the public sector for implementation in 2010, which then opened up discussions on governance in government (PwC 2010). King III operates on an "apply or explain" basis and emphasises that the executive management is responsible for the following: building and sustaining an ethical culture, including the identification of ethics risks (PwC 2010:8; IoDSA 2009b:5-6); the implementation of a code of ethics and related policies (Irwin 2011:11), and the assessment of ethics performance (PwC 2010:8). In addition to King III, the Department of Public Administration published a Public Sector Integrity Management Framework in 2011 (DPSA 2011) and the Public Administration and Management Act (SA 11/2014) was passed in 2014, in which the need to effectively manage ethics within the public sector was highlighted. Earlier efforts by government to guide the behaviour of public sector officials include the Public Finance Management Act (1/1999), the Municipal Finance Management Act (56/2003), and the Public Service Regulations (2001). However, with specific reference to formal ethics management processes, it appears that these acts are fragmented and unstructured.

Establishing an ethical culture in a public sector organisation is an important leadership function, which should be dealt with by the head of a department (executing authority/accounting officer) as

per section 3 of the Public Service Act (103/1994). In addition, all employees within the South African public administration are responsible for promoting and maintaining a high standard of professional ethics (SA 1996:74). According to the Auditor General, South Africa, the leadership at national, provincial, and local government levels is failing government by not acting against perpetrators of unethical behaviour (AGSA 2014:32; AGSA 2015:9). Such behaviour points towards the need for guidance to assess and monitor ethics performance.

This study addresses the following question: What framework can be used by the internal audit function within the South African public sector to assess the ethical culture of the organisation? To answer this question, this article is structured as follows: firstly, it details the research objectives, the methodology used, and the limitations thereof. The next section contains a literature review, followed by the results of the empirical part of the study. Finally, the conclusions reached on using the proposed ethics framework to assess ethics performance within the South African public sector are provided.

2 RESEARCH OBJECTIVES, SCOPE, METHODOLOGY AND LIMITATIONS

The aim of this study is to propose a framework that can be used by internal auditors to assess the ethical culture in South African national public sector departments.

Currently, no scientific research focusing on the development of an ethical framework for the South African public sector has been conducted. This study is an attempt to assist departments and scholars in the South African national public sector to develop such a framework. In order to arrive at an alternative policy imperative for the South African national public sector departments, a review of the literature, as it relates to ethical culture in the South African public sector, was conducted. The literature study was conducted to understand the concepts of ethical culture and governance of ethics, and a comparison was then made between legislative frameworks and guidance relevant to the development of an organisation-specific ethical culture. Furthermore, a comparison was made between two maturity models to identify relevant ethics attributes. The empirical research carried out for this article took the form of a case study, which involved semi-structured interviews with two senior members of the executive management of a national South African public sector department, namely the chief audit executive (CAE) and the chief risk officer (CRO), and the audit committee chairperson of that national department. The purpose of these discussions was to obtain input regarding the acceptability of the proposed ethical framework (discussed in Table 3) and to determine whether it can be used by internal auditors to assess the ethical culture of public sector organisations in South Africa.

The department that was selected to be the subject of the study has already been recognised for its strong pillars of governance, as reflected in its most recent annual report. These pillars are: risk management; fraud and corruption management; conflict of interest minimisation; the presence of a code of conduct; the presence of an internal control function; the presence of an internal audit function, and the presence of an audit committee. In addition, the department has designated mid-November to mid-December as their annual anti-corruption period, during which staff are made specifically aware of fraud and corruption issues, and are provided with opportunities to promote ethical conduct. Furthermore, the department has a strong control environment in that no instances of fraud/corruption were reported during the 2013/2014 financial year. The interviewees were selected based on their respective roles in governance and ethics. The audit committee is an independent oversight structure with the responsibility of ensuring that all activities relating to internal control, risk management, and governance are co-ordinated through a combined assurance model (IoDSA 2009b:52-53). Management is regarded as the first line of defence; risk management as the second line of defence and provider of internal assurance; and lastly, the internal audit function is regarded as the third line of defence and an independent assurance service provider (Dinga 2012:16-17). The linkage between the key role players in the assurance model is clear and provides sufficient reason for the inclusion of these participants in the empirical study.

The data collected from the individual interviews were analysed and interpreted to determine the acceptability of the proposed ethics framework as a tool to guide the internal audit function and other role-players in assessing the ethical culture within the organisation.

The limitations of this study include the fact that only South African legislative frameworks and guidance were studied, and that only one national department participated in the study. In line with the limitations of a case study, the findings of the study cannot be generalised (Creswell 2009). However, the results of this study will enhance the ability of internal audit practitioners in the South African public sector to assess the ethical culture of their organisations. Management of public-sector departments can also benefit from the findings of the study by applying the standard framework to build an ethical culture, thereby improving and strengthening the governance and ethical health of their organisations.

3 LITERATURE REVIEW

3.1 Introduction

The literature review consists of three sections: firstly, the concepts of ethical culture and governance of ethics are considered; secondly, a comparison is made between available legislative frameworks relating to the governance of ethics within the public sector, and lastly, published ethics maturity models are compared to identify attributes that can be used by internal audit to assess ethics.

3.2 Ethical Culture

Rossouw and Van Vuuren (2013:305-306) define ethical culture as "an interdependent, interrelated dimension of the broader organisational culture".

Fallon and Butterfield (2005:397) are of the view that an ethical culture influences behaviour and subsequently promotes ethical decision making. Treviño (1986:601) and Kaptein (2011:844) support the view that ethical culture influences behaviour, but also highlight that it pertains to those aspects of an organisational context that obstruct unethical behaviour and encourage ethical behaviour. Rossouw and Van Vuuren (2013: 305-306) and Ardichvili, Mitchell and Jondle (2009: 445) indicate that an ethical culture is comprised of formal and informal components. The formal component involves visible and measurable aspects of an organisation's structures, such as rules, codes of ethics, policies, disciplinary procedures, and ethics management structures (Rossouw & Van Vuuren 2013: 306). Ardichvili *et al* (2009:446) assert that a good ethical culture should be characterised by a structure that allows for shared distribution of authority and accountability, as well as a clear code of conduct that is well communicated, understood and enforced.

Ethical culture also includes informal components, such as organisational stories, traditions and informal practices (Rossouw & Van Vuuren 2013:305-306). In addition, Brown and Treviño (2006:601) highlight that informal systems include other aspects, such as values demonstrated by role models, norms and standards displayed through socialised informal processes, daily behavioural norms and the existence of sub-cultures, organisational rituals and behavioural criteria used to issue awards, organisational stories relating to promotions and resignations, and whether discussions of ethical concerns are open or closed. Brown and Treviño (2006:601) assert that these informal aspects, which they refer to as the "deep culture" of an organisation, are not easy to understand or measure; thus the development of an ethics framework for the public sector will assist management to be aware of the attributes that impact the organisation's ethical culture.

The Global Institute for Ethics (2014) identified specific universal ethical values which transcend all religions and cultures. These values comprise "trustworthiness, responsibility, respect, compassion and fairness". It is implied that these values are embraced by most organisations globally and form part of good governance. This view is supported by the Institute for Local Government (ILG 2009:4).

Building an ethical culture requires that one also understands the underlying challenges that may hamper the process. Amundsen and De Andrade (2009:6) caution management to be aware of the reasons why staff may not value ethics. These reasons may include employees' belief that ethical behaviour consists solely of compliance with all set rules and policies, and that staff do not always like to be told what to do or not to do (Amundsen & De Andrade 2009:6). In addition to this, unethical behaviour by staff may also be the result of influence or pressure, exerted by a higher authority, to take decisions that are unethical, or not in the best interest of the public (Amundsen & De Andrade 2009:6). Decisions made by public officials sometimes create an ethical dilemma, in that a person may be forced to choose between fulfilling the mandate of their position and exposing him/herself to the risk of jeopardising

his or her position or a valued relationship (Amundsen & De Andrade 2009:11; ILG 2009:9). In the eyes of the public, a government official is regarded as a trustee of the state coffers and is thus expected to act professionally and with integrity (Landman 2011).

Schoeman (2012:14) highlights that political leaders in South Africa are not held accountable for unethical behaviour; in the event that misconduct is proved. Instead of being disciplined, they are transferred to another position, (temporarily) out of the spotlight. The message thus being communicated to public officials, and to society at large, is that it is acceptable to place your own interests above those of others. Unethical behaviour by people in senior positions is rationalised by referring to the wrongs of the past, or by proclaiming self-entitlement (Schoeman 2012:14). Schoeman (2012:14) is also of the view that the behaviour of leaders can be influenced by group values, rules and culture, but that their fellow leaders should also play an active role in influencing them to behave ethically.

The Auditor General South Africa (AGSA) (2014:32; 2015:9), in its latest audit reports, proclaims that the minimum actions requiring effective and appropriate disciplinary steps as prescribed by legislation were not instituted against officials involved in transgressions relating to irregular, fruitless and wasteful expenditure at national, provincial, and local government levels. Failure by leadership to act in this regard creates the perception that this kind of behaviour is acceptable and tolerated. According to Rossouw (2014), "too many of our public servants abuse their positions for self-enrichment." To remedy this phenomenon, the focus should change from self-interest to servicing the needs of the public. Public officials are also part of society at large and should play a part in building a culture of ethics (Rossouw 2014).

It is apparent from the literature that public sector departments in South Africa are faced with various ethical challenges for different reasons. Leadership should take ownership of the challenges and implement measures to bring about ethical behaviour.

3.3 Ethics management

Ethics management refers to the pro-active management of ethics within an organisation in order to build an ethical culture (EthicsSA 2014), which is regarded as a cornerstone of good governance (IoD 2009b; IIA 2012a:1). A robust ethics management programme that defines ethical behaviour and sets (and takes its lead from) the "tone at top" is needed (IIA 2012a:1). These programmes must have senior management involvement, organisation-wide commitment, and a customised code of conduct. Ethics management programmes must also provide a framework for investigating reported incidents, taking disciplinary action against offenders, providing ethics training, and organisation-wide communications with staff on ethical matters. Ongoing monitoring systems and an anonymous incident-reporting system are further essential components of any such programme (Deloitte & Touche 2014:4; IIA 2012a:1). Sheeder (2005:35) describes the "tone at the top" as an organisation's "integrity DNA", which means it influences

everything the organisation does. If management does not provide a positive example of the importance of integrity and of doing the right thing, then not even the best control or compliance programme will prevent unethical behaviour (Sheeder 2005:35; Kranacher 2006:80).

Rossouw and Van Vuuren (2013:138), Protiviti (2012: 1) assert that ethical culture is strong in organisations where employees perceive management to be serious about ethics and where their actions complement their words and the entity's stated values. Management should establish ethical values in the form of a mission statement, a vision statement, and a code of conduct, as these can be used to influence staff behaviour and define goals (Protiviti 2012:1-2). If these values are not implemented in practice, via a formal ethics management programme, then the organisation's ethical culture will be superficial at best, which will result in organisational dysfunction and operational ineffectiveness (Jondle, Maines, Burke & Young 2011:35). Kavanagh (2010:8) proposes that peer support for efforts to comply with ethical standards will drive down rates of financial misconduct.

To promote a sound ethical culture in the public sector, management should be seen to be applying some basic ethical principles which are regarded as best practice in government (Institute for Local Government (ILG) 2009:13-24). These principles require management to lead by example, by demonstrating the right attitude and behaviour; setting mission and vision statements that include values which portray management's commitment to ethics; issuing a value-based code of ethics that highlights the ethical principles of respect and fairness, and by conveying a consistent message about how things are done in an ethical manner (ILG 2009:13-24). Other ethics strategies to consider for an ethics management programme include: the recruitment of staff with the right attitude towards public service; performing background and reference checks; launching an ethics campaign to promote the ethical values of the organisation; implementing strong control policies to regulate employment, procurement, and finance; educating new recruits about ethical values as part of induction programmes; including ethics-related issues as part of employee performance assessments; discussing ethical issues at staff and organisational meetings, and conducting ethics audits to determine the actual ethical culture of the organisation (ILG 2009:13-24). While an organisation can implement all these principles to avoid scandals, in order to gain the public's trust, management must demonstrate by their actions their commitment to these principles (Kranacher 2006:80).

Challenges in the public sector relating to the governance of ethics can be managed through a comprehensive governance framework and management process, which includes elements such as leadership commitment and governance structures (IoDSA 2009b:19-22; Rossouw & Van Vuuren 2013:217-237; PwC 2010:6-8; Treviño & Brown 2004:80). Furthermore, the framework should include an ethics risk profiling component to mitigate risks such as political appointments, positional power, and conflicts of interest (Rossouw & Van Vuuren 2013:236-238; IoDSA 2009b:20; Amundsen & De Andrade 2009:28-39). In addition, the framework should also include a code of conduct and related policies, promote the institutionalisation of ethics, and provide mechanisms for the assessment, monitoring, reporting and disclosure of ethics performance (IoDSA 2009b:20-22; Rossouw & Van Vuuren 2013:272-299).

3.4 Legislative frameworks and guidelines: a comparison

To determine whether ethics management in the South African public sector context makes use of adequate governance frameworks, a comparison was made between King III (Chapter 1 principle 1.3), the Public Sector Integrity Management Framework, the Public Service Regulations (Chapter 2), and the Public Administration Management Act (chapter 6) (this act is not yet in operation), as shown in Table 1 (DPSA 2011; DPSA 2012; SA 2014). The afore-mentioned sources of guidance were preferred because legislation such as the PFMA, the MFMA, and Treasury Regulations mostly address vulnerability within the financial environment or areas with material risks. The fragmented nature of these pieces of legislation makes it difficult to use them effectively to manage ethics and build an ethical culture, as most of these legislative frameworks focus on issues related either to finance or to supply chain management, with an emphasis on preventing and/or discovering financial misconduct (National Treasury 2005; SA 1999; SA 2003).

As a point of departure, the elements of the King III Report focusing on the governance of ethics are used to assess the adequacy of the other frameworks used by South African public sector departments for guidance on building a culture of ethical behaviour (IoDSA 2009b:20-22). King III emphasises the importance of ethical leadership and the effective governance of ethics, which is comprised of the following components: identifying ethics risks; developing codes of ethics; institutionalising these codes, and assessing and reporting on ethics performance (IoDSA 2009b:20-22; PwC 2010:2-3). The Integrity Management Framework has been developed for the South African public sector and aims to strengthen the measures and standards used for managing integrity, promoting ethical conduct and managing unethical behaviour (DPSA 2011:4). Public Service Regulations (DPSA 2012:46) give effect to the Constitution by providing public officials with guidelines in the form of a code of conduct outlining how to behave ethically, in order to promote professionalism. Furthermore, the Public Administration Management Act (11/2014) calls for the establishment of a public administration ethics, integrity and disciplinary technical assistance unit within every public sector organisation, which should take responsibility for management ethics (SA 2014:17). The said regulations and codes of conduct on their own do not constitute or promote good governance; in efforts to strengthen the ethical standing of those generating "the tone at the top", government also requires an ethical leadership foundation, as suggested by King III (IoDSA 2009b:16). In addition, the Department of Public Service and Administration

(DPSA 2011:3) emphasizes the importance of ethics, defining it as "well based standards of right and wrong that prescribe our rights, obligations and benefits to society. Ethics is about how we ought to live, treat others, run or manage our lives and organisations".

Summary

The results of the comparison of the four governance frameworks available to South African public sector institutions, as set out in Table 1, raise some concerns. Based on the comparison, the Public Sector Integrity Management Framework, the Public Service Regulations (PSR) and the Public Administration

Management Act (PAMA) only make reference to "a code of conduct", whereas King III highlights all the elements of a formal ethics management programme. Furthermore, the Public Sector Integrity Management Framework, the PSR, and the PAMA are prescriptive frameworks which are strongly focused on compliance with laws and regulations. Although both the Public Sector Integrity Management Framework and the PAMA imply the management or governance of integrity and ethics, these frameworks provide limited guidance on the specific characteristics of any such ethics management programme or process.

Table 1: Public Sector governance frameworks: South African perspective

Elements of governance of ethics	Frameworks			
	King III	**Public Sector Integrity Management Framework**	**Public Service Regulations (PSR)**	**Public Administration Management Act (PAMA)**
Ethics risk profiling	Management should assess ethics risks and develop a risk profile.	The importance of a risk management system is emphasised, but there is no specific reference to ethics.	The PSR is silent about how ethics risks should be managed.	The PAMA is silent about how ethics risks should be managed.
Code of Conduct	Management should implement ethical standards, in the form of a code or policy, to control negative ethics risks.	Code of conduct provides direction on managing staff performance (including supply chain practitioners), relationships with the public and between staff, personal conduct and private interests. Code of conduct includes standards, with restrictions relating to the acceptance of gifts/other benefits, disclosure of financial interest and assets, and remuneration for work outside the public sector. Framework outlines the legislation for managing corruption, namely the Public Service anti-corruption strategy, Local Government anti-corruption strategy, Corruption Act No.94 of 1992, and Prevention and Combating of Corrupt Activities Act No.12 of 2004.	The PSR outlines the expectation that staff at senior manager level will maintain a high level of professionalism and integrity and will avoid issues of conflict of interest. The PSR includes a code of conduct that describes how staff should behave, perform their duties, disclose private interests, and maintain good relations with the public, other employees, legislature, and executive authority. It also highlights the responsibility to report fraud/corruption.	The PAMA states that an ethics, integrity, and disciplinary technical assistance unit should take responsibility for developing standards and norms of conduct, ethics and discipline.
Institution-alisation of ethics	Management should ensure that the ethical standards are integrated into all strategies and operations. This should include management practices (employee screening, training, disciplinary and reward systems) and structures (ethics committee, ethics function, and ethics champion).	The framework is silent about how ethics should be integrated into strategies and operations. It only makes mention of the appointment of an ethics champion in terms of the minimum anti-corruption standards.	The PSR is silent about how ethics should be integrated into strategies and operations.	The PAMA is silent about how ethics should be integrated into strategies and operations.
Assessment, monitoring, reporting and disclosure of ethics	Management should ensure that its ethics performance is assessed, monitored, reported and disclosed. Internal and external assessments are needed to provide assurance to management and external stakeholders about the quality of ethics performance.	The framework does not make reference to the assessment, monitoring, reporting and disclosure of ethics. However, it does highlight the importance of monitoring its implementation by the Anti-corruption unit, and reporting thereon to the Minister of Public Service and Administration.	The PSR is silent about how ethics performance should be assessed, monitored, reported and disclosed.	The PAMA highlights the importance of reporting misconduct, but is silent about how ethics performance should be assessed, monitored, reported and disclosed.

Sources: IoDSA (2009b:20-22); DPSA (2011); DPSA (2012); PwC (2010); DPSA (2014)

Emerging from this comparison, it appears that the public service frameworks merely insist on compliance, and otherwise fail to provide detailed guidance on effectively managing ethics and building a culture of ethical behaviour. It is therefore evident that to build a culture of ethical behaviour, national public sector departments have to combine the public sector frameworks together with the recommendations made in King III (as King III is applicable to all South African entities, including those within the public sector (IoDSA 2009b:13).

3.5 Towards developing an ethics framework

As indicated above, the frameworks studied in Table 1 seem to provide limited guidance to the internal audit function to assess ethics within the South African public sector. To remedy this shortcoming, and for the purposes of this study, two available ethics maturity models were studied (their key characteristics are reflected in Table 2). A maturity model is a matrix tool that describes the characteristics of specific attributes at distinct levels or stages of maturity (Paulk 2009:5-19). The intention of this study is not to develop a new maturity model, but rather to propose a framework using existing and presumably familiar models, that can be used by internal auditors to assess ethical culture. The proposed framework must be able to provide guidance on the assessment of ethics to internal audit functions in government (NT 2009:2-3).

The IIA (2013:2) states that an appropriately-developed maturity model can serve as a framework in which to assess ethics. It also highlights that a maturity model describes the "as is" state of a process, and can therefore be used to identify areas of improvement and forecast the likely outcomes of the organisation's processes (IIA 2013:2). Wilkinson and Plant (2012:22) are of the view that a maturity model is a suitable tool to identify and assess levels of maturity in a governance environment, including that of an organisation's ethical culture.

Kaptein (2008:924-927) and the IIA (IIA 2012a:4-5) are in agreement that the ethical culture of an organisation is only effective if it reaches the stage of "maturity". "Maturity" is characterised by attributes such as: a clear and understandable formal code of conduct; frequent communication of expected ethical attitudes and behaviour; fair treatment of, and displaying trust in, staff; strategies and programmes to support the organisation's ethical culture; compensation practices that do not inadvertently encourage "bending the rules" to achieve performance targets; confidential channels through which to report suspected violations of the code of conduct, policies, and other acts of misconduct (whistleblowing systems), and appropriate punishments for unethical behaviour, regardless of the perpetrator (i.e., no exceptions are made) (Kaptein 2008:927).

According to the literature survey conducted for this study, only two ethics-related maturity models (those described by the IIA and by Rossouw and Van Vuuren), were found to relate closely to the culture of public sector institutions in South Africa (IIA 2012a:13-18; Rossouw & Van Vuuren 2013:58). Rossouw and Van Vuuren (2013:58) describe the Modes of Managing Morality (MMM) model, a South African-based maturity model, while the IIA's Maturity Model forms part of a practice guide on assessing ethical culture that is available to internal auditors globally. It appears that these two maturity models have similar modes of maturity but different attributes, as indicated by a study conducted by Wilkinson and Plant (2012:19-31) in which a governance maturity framework for use by internal auditors was proposed. The two maturity models and the public sector governance frameworks were compared in order to facilitate the identification of the relevant attributes of such instruments (see Table 2). Once identified, these attributes were used in the construction of a framework proposed for use by internal auditors in assessing ethics. This proposed framework was used as the basis of discussion during empirical research conducted at a national public sector department.

Table 2: Comparison of ethics-related maturity models

Model	Attributes	Modes of Maturity				
		Immature	Repeatable	Defined	Mature	World-class
IIA Maturity Model	Code of Ethics	No formal code to communicate management expectations.	Formal code may be outdated and not explained to new staff.	Code is reviewed every two to three years and signed annually by all employees, including new ones, as evidence that they understand it and agree to comply.	Code is reviewed annually and staff complete questionnaires relating to its compliance.	Policies are in place to provide additional guidance, and periodic surveys are done to assess overall compliance with ethics codes and policies.
	Culture and consistency	Inconsistencies in disciplining non-compliance with the code and the application thereof.	Perception exists that compliance is vital, but it does not form part of job descriptions and cases of misconduct are not pre-emptively reported.	Perception exists that management takes ethics seriously and disciplinary steps in collaboration with Human Resources are taken in cases of non-compliance. Ethics form part of job descriptions and staff ask questions to avoid inadvertent non-compliance.	Ethics is a standing agenda item at organisational/ departmental meetings. Ethics are formalised in job descriptions and form part of interviews. Staff feel empowered to ask questions about compliance.	Periodic surveys are performed to determine perceived levels of compliance. Inputs are solicited from employees to improve the programme and to reward good ethical behaviour.

Model	Attributes	Modes of Maturity				
		Immature	**Repeatable**	**Defined**	**Mature**	**World-class**
	Awareness	Employees are aware of the existence of the programme, but not its requirements or where or from whom one obtains information.	Employees are aware of the existence of the programme, attended training, know some of the requirements and who the compliance officer is.	Organisation-wide awareness of the programme, and all staff have been trained within the past three years. Staff know who the compliance and risk officers are.	In-depth annual training; staff understand the expectations and are compliant. Ethical issues are included in supplier contracts.	Regular communications remind staff of programme expectations, and the programme forms part of sustainability reporting.
	Structure and account-ability	There is no formal compliance structure or no oversight body; accountability is not defined; investigations are done on an ad-hoc basis, and compliance risks are not understood.	A designated compliance officer has been appointed, albeit with no clearly defined responsibilities. Oversight and monitoring is done inconsistently and reactively. Investigations are done by appropriate staff. Accountability and compliance risks are understood, but not formalised.	A formal structure is established; responsibility is allocated to risk officers; oversight is defined from a management perspective; monitoring is established in liaison with internal audit; investigations are done and compliance risks are documented.	Timely and consistent reporting by risk officers to compliance manager; quarterly reporting to oversight body on compliance issues; internal audit plan includes compliance risks; formal compliance risk assessment is performed, and a formal protocol/ guideline exists for investigations.	Developed and implemented an integrated monitoring plan in conjunction with compliance manager, risk officer and internal audit. Sensitive investigations are performed by staff trained in forensic and investigation techniques. Programmes are updated annually in line with new risk scenarios.
	Process, automation and integration	There are no formal compliance controls or procedures to guide staff or outsiders in reporting issues of non-compliance, and no data on issues of compliance are available.	Some compliance controls or procedures exist, but are not consistent or formalised. There is limited testing of controls. Staff are aware of who to contact to report issues of non-compliance. It is difficult to compile data on events of non-compliance.	Compliance controls or procedures are well documented, standardised and tested periodically. A Hotline exists for reporting non-compliance issues; some compliance controls are integrated into business processes and some standard reports are compiled for issues of non-compliance.	Compliance controls or procedures form an integral part of business processes; many compliance controls address key risks from a Governance, Risk and Compliance (GRC) perspective. There are multiple avenues for reporting issues of non-compliance. A plan has been developed to test whether controls/procedures operate effectively and technology is used to identify and investigate compliance events.	An integrated GRC programme has been established to ensure compliance risks are aligned with the organisation's risk appetite. Data Event software is used to keep records of data gathered, and analysed. GRC software is used to generate integrated data on events and to run routine technology applications to prevent and detect potential compliance events.
	Goals and measure-ments	No formal goals or measurements	No formal goals or measure-ments, but staff do understand that the absence of compliance events is indicative of a successful programme.	Broad compliance goals are established and communicated. Measurements of the nature and frequency of compliance events are performed.	Specific compliance goals and measurements are established for each risk area.	There are established compliance goals for all employees. Measurements are integrated into the overall performance measurement process.
Model	**Attributes**	**Immoral mode**	**Reactive mode**	**Compliance mode**	**Integrity Mode**	**Totally aligned organisation (TAO) mode**
Modes of Managing Morality (MMM) model	Ethics management strategy	No ethics strategy or interventions	Ethical values are not enforced or implemented.	Systems and codes are in place to manage ethics and unethical behaviour.	Systems are in place to manage, enforce and implement ethics.	Each individual takes ownership of ethics and shares in the rewards.

Sources: IIA (2012a:13-18); Rossouw & Van Vuuren (2013:58)

3.6 Value of internal audit in building ethical culture

According to IIA Standard 2110.A1 (IIA 2012b:11), "the internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programs, and activities". The Institute for Internal Auditors (IIA 2010:33) advises that the internal audit function should positively influence the tone at the top of the organisation. The internal audit function should promote the ethics and values of an organisation through the assessment of its code of conduct, ethical policy, behavioural standards, tone at the top, and the disciplinary steps taken to address issues of unethical behaviour (NT 2009:51-52; IIA 2012a:1; IIA 2012b: 11; PwC 2010:72). Furthermore, the assessment should include an evaluation of an organisation's ethics strategy, risks, controls, compliance with policies and procedures, and identification of weaknesses in formal and informal systems and processes (IoDSA 2009a:8-9; IIA 2012a:5).

Elmore (2013:51-52) emphasises that the internal audit function can play an important role in promoting the ethical culture of an organisation through the following initiatives: revision of the codes of conduct; inclusion of ethics in the scope of audits; assisting management to schedule ethics training with appropriate content; advising management on establishing a hotline for reporting unethical behaviour and leading the investigations thereof; being an advocate for ethics, and including ethical issues in audit reports for management's attention.

Both the Ethics Institute of South Africa (2014:10) and Von Eck (cited in Dobie & Plant 2014:2) support the principle that both formal and informal systems should be evaluated by the internal audit function. In addition, they emphasise that the internal audit function should include in its evaluation areas such as leadership, staff selection systems, values, policies, codes of conduct, orientation and training, performance management systems, organisational authority structures and decision-making processes. Plant (2008:15) highlights the value-adding role that the internal audit function plays in enhancing an organisation's governance processes by assessing its ethical culture.

4 FINDINGS OF THE EMPIRICAL STUDY

The case study conducted in this research focused on one national department within the South African public sector, and involved discussions with executive staff members and the chairperson of the audit committee. Individual semi-structured interviews were held with two senior members of the executive management (the CAE and the CRO) and the audit committee chairperson (a non-executive director) of that department. The results are discussed below and are presented according to four prominent themes that emerged from the literature review.

4.1 Ethics programme as guideline

Interviewees were asked to share their views about the value of an ethics programme (including a code of ethics and ethics awareness) as a guideline for promoting an ethical culture within their department. Management and the audit committee chair demonstrated a similar level of understanding of the nature and purpose of an ethics programme, and placed a similar level of importance on it. The interviewees agreed that an ethics programme should be comprised of a code of ethics that guides staff on how to behave, a policy with standards/norms that can be used to measure and detect unethical behaviour, and ethics awareness programmes. The chairperson of the audit committee asserted that the ethics programme should include formal (induction programmes) and informal (e-learning) ethics awareness initiatives to educate staff on ethics. The chairperson also highlighted that the effectiveness of ethics programmes should be monitored, in order to determine whether the department is progressing or regressing on ethics training.

Internal assurance structures (internal audit and risk management) within the department use different frameworks to measure ethics. Neither of the structures makes use of the Integrity Ethics framework developed by the DPSA. The risk management unit is familiar with the integrity ethics framework, but uses its own framework to assess ethics; the internal audit unit uses the ethics principles of King III to audit ethics. The chairperson of the audit committee supports the use of King III principles to measure ethics, but also highlighted the importance of ethics risks, which should form part of risk management. The CRO alluded to the fact that risk management in the public sector is regulated by the PFMA Act and the risk framework of the National Treasury. If the internal assurance structures use different frameworks to assess ethics, the goal of an ethical culture is unlikely to be achieved.

4.2 Ethical culture

Interviewees were requested to express their views on the importance of an ethical culture and to indicate the parties that they believed were responsible for developing and maintaining such a culture. Measuring ethical culture is regarded by all three interviewees as an important method by which to ensure that management accounts for their actions, and to provide assurance to the public that the department is transparent and that the tone at the top is correct. According to the chairperson of the audit committee, "what gets measured, gets done", which implies that a department can only improve if it knows its current situation, and where it needs to go in terms of ethics performance. The CRO was of the view that failure to manage ethics can cause reputational damage, while recognising the implicit irony in the fact that the public perception already exists that "government officials are corrupt and lazy".

The audit committee chairperson, CAE and CRO agreed that the responsibility for maintaining an ethical culture lies with the head of a department (the Director General, Accounting officer, and/or other Executive authority), but should be delegated to the ethics officer to ensure that the ethics programme is implemented throughout the department. The ethics function can only be successful if it is supported by

the head of the department and the executive management. The audit committee chairperson was of the opinion that responsibility for implementing ethics should be included in the performance agreements of line managers. The ethics culture of the department is also strengthened by the ethics oversight role played by both the audit and the risk management committees in monitoring the implementation of the ethics programme. The success of the ethics programme in the department depends on a collective effort by all staff, the internal assurance providers (internal audit and risk management), and the oversight structures such as the audit committee.

The CAE and CRO were of the view that the public sector should consider implementing a uniform ethics framework, as proposed in this article. The framework should be compulsory and included as part of the performance standards used by the Department of Monitoring and Evaluation (DPME) to measure the ethics performance of all departments in the South African public sector. The public service administrator of DPSA should award an annual incentive to the department that scores highest in its ethics assessment, in order to trigger competition between departments. The CAE suggested that success stories on ethical matters should be communicated to staff to encourage ethical behaviour. The chairperson of the audit committee suggested that departments can also have round-table discussions at which good practices are shared, and where colleagues learn from each other on how and where to improve ethics.

4.3 Ethics management structure and strategy

The interviewees expressed their views on an ethics framework as a management tool and the attributes thereof. They (the CAE, CRO, and chairperson of the audit committee) agreed that a standard ethics framework, such as the one proposed in this article, could be used as a management tool to improve the control environment. The framework could also be used to determine the actual status of ethics in the department, and to develop a plan on how to improve its ethical performance. The CAE and the CRO emphasised that the public sector should have a uniform guiding framework, to ensure consistency in the way in which ethics are measured and to achieve the same common end, namely an ethical and transparent public sector. Many benefits could be realised from a uniform ethics framework. Under a uniform framework new staff could be more easily trained in that staff transferred to another public sector department could quickly become familiar with the new environment, as their ethical practices would be the same. In addition, improvement initiatives to address pervasive gaps could be developed for application across the entire public sector. Further-more, a framework that is compulsory and properly communicated to the staff of the department will improve the control environment, especially when it is no longer seen as "just an issue of compliance", but rather as a value-adding tool. The chairperson of the audit committee interviewed for this case study supported the idea that the attitude of staff towards compliance will only change if a positive tone is set by top management. Management can demonstrate their support for ethical behaviour by ensuring that

sufficient resources are provided for the implementation of the ethics programme, including the development and implementation of an ethics framework.

The CAE and chairperson of the audit committee were of the view that the proposed ethics framework suggested for use by the public sector is comprehensive and covers key ethical attributes. The three interviewees advised that the framework should be enhanced by adding three attributes, namely (1) oversight structures similar to those pertaining to the risk and audit committees, (2) monitoring and evaluation criteria and processes, and (3) learning and improvement. Furthermore, all attributes should be defined by measurable criteria. This means that the criteria should not be open to different interpretations or be seen as subjective, but should be supported by tangible outcomes. The CAE believed that any implementation of the proposed public sector framework should be accompanied by a step-by-step guide that indicates the actions to be taken to enhance an organisation's ethical health.

4.4 Role of internal audit function in ethics assessment

The CAE, CRO and chairperson of the audit committee agreed that internal audit has a vital role to play in the assessment of the ethics of the department. Internal audit should provide assurance to management that controls relating to ethics are adequate and effective to ensure an ethical culture exists, and to make recommendations to management on how to address such gaps in systems or processes that they identify as being likely to lead to unethical behaviour. The chairperson of the audit committee suggested that internal audit should take the lead role in departments where there is as yet no ethics programme in place, and provide management with advice on how to strengthen the ethical culture so as to minimise incidents of fraud and/or corruption. Furthermore, the chairperson was of the opinion that internal audit should include ethics in its audit plan, to ensure it is audited and thus to provide management with assurance on the effectiveness of its ethics programme.

4.5 Summary of the empirical study

In the light of the above findings it appears that an ethics framework could assist internal auditors to assess an organisation's ethics performance and contribute to building an ethical culture. It is also evident that there are areas of the framework that require improvement. This involves the addition of three attributes, namely oversight structures (e.g. risk and audit committees), monitoring and evaluation, and learning and improvement. The proposed framework should also be supported by an implementation guide to avoid misinterpretation and misapplication.

5 PROPOSED ETHICS FRAMEWORK

The proposed ethics framework developed for this study (as discussed in section 2) is set out in Table 3. The framework's attributes were derived from the conclusions generated by the literature study and

from the views put forward by the interviewees. Table 3 includes descriptions of the proposed framework's attributes, as well as the roles of the internal audit function with regard to these attributes. The focus of this study is on identifying the relevant attributes of an ethics framework, and not on examining the various levels of ethics maturity. The aim of the framework is that it should be used by the internal audit function within the South African public sector to assess ethical culture and ultimately to enhance organisational governance.

Table 3: Proposed ethics framework for use by the internal audit function

Attributes	Description of attributes	Role of internal audit function
Code of ethics	A code of ethics includes the standards, norms and values that promote ethical behaviour within an organisation. The code of ethics should be developed based on an ethics risk assessment or profiling of the organisation. The code of ethics should prevent unethical behaviour and promote ethical behaviour. The code of ethics and related policies (such as supply chain management, conflicts of interest, gifts and entertainment) should be regularly reviewed and ethical behaviour should be rewarded.	Considerations when assessing the code of ethics: - the process followed to develop the code; - the timeliness of the code; and - the code's alignment with other organisational policies.
Ethical culture	Ethical culture refers to the alignment of formal (policies, procedures, codes) and informal systems (stories, habits, rituals, role-models) within an organisation. Ethical leadership (such as leadership's commitment to ethics and personal alignment with organisation's vision and mission) plays a vital role in ensuring an ethical culture and the right tone-at-the-top. Furthermore, there should be consequences for unethical behaviour, which should be communicated within the organisation. Ethical standards should form part of job descriptions and be regularly assessed as part of the performance management systems.	Considerations when assessing the ethical culture: - leadership commitment; - effectiveness of communication strategy; - culture survey; and - alignment of job descriptions to ethical standards (including performance management systems).
Ethics awareness	Several ethics awareness practices should be implemented within an organisation, such as screening during recruitment, and regular ethics awareness training sessions for all employees covering the code of conduct, disciplinary processes, and reporting of unethical behaviour (such as maintaining a fraud hotline).	Considerations when assessing ethics awareness: - frequency of training sessions; - number of staff trained; - effectiveness of disciplinary processes; and - effectiveness of fraud hotline for reporting unethical behaviour.
Ethics management structure	Various oversight and monitoring functions should be in place to pro-actively manage ethics within the organisation. These could include an ethics officer, a compliance officer, a risk officer and the internal audit function. Furthermore, the audit committee should act as a trusted advisor on all ethics matters.	Considerations when assessing the ethics management structure: - effectiveness of oversight functions in dealing with ethics issues; and - commitment by management to support oversight functions.
Ethics management strategy	The ethics management strategy includes the plan that should be implemented by management to ensure an ethical culture. The strategy should describe a formal ethics programme that includes an ethics risk assessment, a code of ethics, the institutionalisation of ethical standards, as well as the reporting and monitoring of ethics. Issues of non-compliance should be identified, reported and acted on by the responsible structures.	Considerations when assessing the ethics management strategy: - existence of a formal ethics programme; - extent to which the programme has been implemented; - effectiveness of the reporting and monitoring of ethics by relevant structures; and - trend analysis on ethics-related issues (such as increased ethics awareness and reported cases).

6 CONCLUSION

This study reviewed the available literature on ethics in the public sector in a South African context. The concepts of ethical culture and the governance of ethics were also highlighted and discussed. In addition, requirements relating to ethics in King III and other legislative frameworks in the public sector, and maturity models regarding ethics, were studied and discussed. Finally, the role of the internal audit function in using the framework to assess the ethical culture within an organisation was highlighted. The results of a case study, which involved a national department within the South African public sector, were also discussed. Based on both the literature study and the empirical research findings, an ethics framework was developed.

The role of management in the building of an ethical culture for the South African public sector cannot be overemphasised. It should be mentioned that the internal audit function also has a role to play in assessing the ethical culture in public sector organisations in South Africa. This can be achieved by using the proposed framework to assess the ethical culture of the organisation. The use of the said framework is supported by the interviewees in the case study, and their collective view is that its implementation would contribute to strengthening the control environment and ethical culture of the public sector.

The limitation of this study, being that its empirical research component was limited to the viewpoints of two executives and the audit committee chairperson in one national public sector department in South

Africa, provides an opportunity for further research. Furthermore, a comprehensive study of the different levels of maturity for the attributes identified in this study could also provide an opportunity for further research. The views of various stakeholders, such as the auditor-general, trade unions, and public administrators, on developing a guideline or policy to supplement the use of the ethics framework in all spheres of government could be beneficial to the further development of the framework. The framework should become part and parcel of public sector policy to ensure enforcement, and should be used by the internal audit function as a standard assessment tool for ethics, ultimately contributing to an ethical organisational culture and improved governance.

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