The Institute of Internal Auditors Research Foundation

Request for Proposal

Ethical Behavior Auditing

INTRODUCTION AND INSTRUCTIONS

The Institute of Internal Auditors Research Foundation (IIARF) is the global leader in sponsoring, disseminating, and promoting research and knowledge resources to enhance the development and effectiveness of the internal audit profession.

The IIARF continually monitors demands by members and stakeholders of the professional to ensure they are receiving relevant and timely information. This request for proposal outlines a topic a topic of interest to The IIARF, and we look forward to receiving your proposal to address this need.

Please refer to the Proposal Submission Guidelines below for detailed instructions. Proposals will be evaluated by a review team; on receipt of proposal we will begin our review process which normally lasts 4-6 weeks, but may take longer.

Return your proposal as a Microsoft Word document via e-mail to research@theiia.org.

ALL RESPONSES TO THIS REQUEST FOR PROPOSAL ARE DUE NO LATER THAN MARCH 12, 2012.

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

Tel: +1-407-937-1356
E-mail: research@theiia.org

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

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TOPIC INFORMATION

Priority Topic	**Ethical Behavior Auditing**
Topic Description	Internal Auditors are required by the Standards to have 'sufficient' knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization. It is an indisputable fact that the highest risk of fraud arises from unethical human behavior. In fact, unethical human behavior has been at the root of every corporate scandal. An ethical behavior audit can help bring an organization's core values and ethics into focus and conveys the importance of organizational values and ethics that can 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. It is imperative that internal auditors possess/develop sufficient knowledge to evaluate the risk of fraud arising from unethical behavior. Some of the questions that arise are: 1. How should internal auditors go about doing this? 2. What new skills do internal auditors need to learn? 3. What knowledge can internal auditors tap into to sufficiently understand and recognize unethical behavioral traits? 4. How do organizations manage this risk? 5. Where unethical behavior is suspected, but not proved, what advice should internal auditors seek from General Counsel before deciding how to proceed further? Should the suspicion be discussed with the CRO to gather additional facts, if any? 6. Code of Ethics: a. What should be the contents of the, how should it be governed; b. How to ensure that employees are aware of the Code of Ethics and practice it; c. How to ensure that external stakeholders (incl. Customers/Partners/Suppliers Relationships) are aware of a company's Code of Ethics; d. 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).
Product Type	1. Applied Research on: a) correlation between certain unethical behavioral traits and frauds committed. b) controls/processes adopted by organizations to manage this risk c) unethical behaviors identified in corporate scandals. d) impact of good "Tone at the Top" on ethical behavior within an organization.
Purpose and Objectives	Ethical Behavior Auditing • Tell IA how to assess the risk in their organizations as an outcome of unethical behavior. • To guide the IA on how to go about this risk assessment.

	• What needs to be done to solve the problems: focus on governance process in company pertaining to setting tone at top in organization including tone at top relating to sustainability or CSR initiatives? Internal rules, regulations, code of conducts. • Leading behavioral indicators (profiling) What is the process to help identify? How to apply, assess and stop? (ethical red flags) • Where to go to gain knowledge for self training? (related resources) • Potential legal/moral consequences. • Key players (inside and outside the organization) that IA must engage with to succeed. • Other guidance available to the IA (governance codes, regulations, etc.) • IA roles and approaches to assurance (standard assurance, training, facilitation).

Content Guidelines	• What is considered as unethical behavior?
	• Is there a generally accepted unethical behavior?
	• What is the impact of good governance on ethics violation?
	• What are the motivations for ethics compliance? (Executive Compensation?)
	• What are the pressure points that lead to unethical behavior?
	• What about perception versus actual unethical behavior?
	• Are there legal implications of conducting ethical behavior audits, if any?
	• What do stakeholders think of an ethical behavior audit process?
	• How will it help the risk assessment process?
	• What are the key challenges for this type of audit (management sensitivity, IA seat at strategic table, etc.)
	Key to the central theme—unethical human behavior. How do we tackle this in terms of an IA?
	3 key points:
	  • Risk
	  • Tone at the top
	  • Code of conduct
	Who sets the tone? What are the key players who will make it succeed? What do you need in the IA? Conflict of interest (what does this mean?); what are some of the behavioral elements? What are the predictors where good people go corrupt? Where does the culture go bad?

Target Audience	IA and other stakeholders
Timeframe	12-18 months
Literature to Consider	Jim Roth, *Best Practices in Evaluating Corporate Culture.*
Deliverables	[X] The primary deliverable requested: Book (100-200 pages) [X] A PowerPoint presentation summarizing the major findings and conclusions of the research. May be 10-20 slides to use at chapter meetings.

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PROPOSAL SUBMISSION GUIDELINES

The Institute of Internal Auditors Research Foundation has been the global leader in sponsoring, disseminating, and promoting research and knowledge resources to enhance the development and effectiveness of the internal audit profession.

Proposals should outline the approach you would take to meet the requirements as stated in the Request for Proposal. Proposals should not exceed **five pages** exclusive of appendices described below, and should contain the following basic elements:

1. Identification of the Priority topic being addressed.
2. A one-paragraph abstract, summarizing the research question, the method to be used and how it will benefit the internal audit profession.
3. Project description including:
    a. A statement of the research issue/question being addressed and how it relates to the internal auditing profession;
    b. A description of previous research, if any, and how your project adds to the previous work;
    c. A statement of research hypotheses being tested, if applicable;
    d. A statement of the research method that will be used;
    e. A statement of the expected results and benefits to the internal audit profession;
    f. A statement of the expected publication output(s) from the project, (e.g., practitioner article, monograph, scholarly journal article, book, etc.);
    g. Itemized timeline and budget, including budget rationale.
    h. Identification of proposed members of the research team including a brief description of their role.
    i. Appendixes:
        i. An appendix containing proposed interview questions/guidelines, and survey or experimental instruments, if applicable.
        ii. Curriculum vitae (CV) for each researcher (3 pages maximum)
        iii. Previous researcher affiliation with The IIA (previous research or educational products produced, volunteer participation, chapter officer, etc.)

Submit proposals by March 12, 2012 via e-mail to: research@theiia.org

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