

INTOSAI



## *Code of Ethics*

INTOSAI PROFESSIONAL STANDARDS COMMITTEE

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PSC-SECRETARIAT

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# **Chapter 1**

## **Introduction**

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### **Concept, Background and Purpose of the Code of Ethics**

1. INTOSAI has deemed it essential to establish an international Code of Ethics for auditors in the public sector.
2. A Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. A code of ethics for auditors in the public sector should consider the ethical requirements of civil servants in general and the particular requirements of auditors, including the latter's professional obligations.
3. With the Lima Declaration of Guidelines on Auditing Precepts<sup>1</sup> as its foundation, the INTOSAI Code of Ethics should be seen as a necessary complement, reinforcing the INTOSAI Auditing Standards issued by the INTOSAI Auditing Standards Committee in June 1992.
4. The INTOSAI Code of Ethics is directed at the individual auditor, the head of the SAI, executive officers and all individuals working for or on behalf of the SAI who are involved in audit work. However, the Code should not be interpreted as having any impact on the organisational structure of the SAI.

Due to national differences of culture, language, and legal and social systems, it is the responsibility of each SAI to develop its own Code of Ethics which best fits its own environment. Preferably these national Codes of Ethics should clarify the ethical concepts. The INTOSAI Code of Ethics is intended to constitute a foundation for the national Codes of Ethics. Each SAI has the responsibility to ensure that all its auditors acquaint themselves with the values and principles contained in the national Code of Ethics and act accordingly.

5. The conduct of auditors should be beyond reproach at all times and in all circumstances. Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, the SAI that they represent, and the quality and validity of their audit work in an unfavourable light, and may raise doubts about the reliability and competence of the SAI itself. The adoption and application of a code of ethics for auditors in the public sector promotes trust and confidence in the auditors and their work.
6. It is of fundamental importance that the SAI is looked upon with trust, confidence and credibility. The auditor promotes this by adopting and applying the ethical requirements of the concepts embodied in the key words Integrity, Independence and Objectivity, Confidentiality and Competence.

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### **Trust, Confidence and Credibility**

7. The legislative and/or executive authority, the general public and the audited entities are entitled to expect the SAI's conduct and approach to be above suspicion and reproach and worthy of respect and trust.
8. Auditors should conduct themselves in a manner which promotes co-operation and good relations between auditors and within the profession. The support of the profession by its members and their co-operation with one another are essential elements of professional character. The public confidence and respect which an auditor enjoys is largely the result of the cumulative accomplishments of all auditors, past and present. It is therefore in the interest of auditors, as well as that of the general public, that the auditor deals with fellow auditors in a fair and balanced way.
9. The legislative and/or executive authority, the general public and the audited entities should be fully assured of the fairness and impartiality of all the SAI's work. It is therefore essential that there is a national Code of Ethics or similar document which governs the provision of the services.

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<sup>1</sup> From the IXth Congress of INTOSAI, meeting in Lima. Can be obtained from the INTOSAI General Secretariat in Austria.

10. In all parts of society there is a need for credibility. It is therefore essential that the reports and opinions of the SAI are considered to be thoroughly accurate and reliable by knowledgeable third parties.
11. All work performed by the SAI must stand the test of legislative and/or executive scrutiny, public judgements on propriety, and examination against a national Code of Ethics.

## ***Chapter 2***

### **Integrity**

12. Integrity is the core value of a Code of Ethics. Auditors have a duty to adhere to high standards of behaviour (e.g. honesty and candidness) in the course of their work and in their relationships with the staff of audited entities. In order to sustain public confidence, the conduct of auditors should be above suspicion and reproach.
13. Integrity can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of auditing and ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the SAI.

## ***Chapter 3***

### **Independence, Objectivity and Impartiality**

14. Independence from the audited entity and other outside interest groups is indispensable for auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence.
15. Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review.
16. It is essential that auditors are independent and impartial, not only in fact but also in appearance.
17. In all matters relating to the audit work, the independence of auditors should not be impaired by personal or external interests. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited entities, projects or programmes; recent previous employment with the audited entity; or personal or financial dealings which might cause conflicts of loyalties or of interests. Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.
18. There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the SAI's auditing standards.
19. Auditors should make use of information brought forward by the audited entity and other parties. This information is to be taken into account in the opinions expressed by the auditors in an impartial way. The auditor should also gather information about the views of the audited entity and other parties. However, the auditors' own conclusions should not be affected by such views.

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### **Political neutrality**

20. It is important to maintain both the actual and perceived political neutrality of the SAI. Therefore, it is important that auditors maintain their independence from political influence in order to discharge their audit responsibilities in an impartial way. This is relevant for auditors since SAIs work closely with the legislative authorities, the executive or other government entity empowered by law to consider the SAI's reports.
21. It is important that where auditors undertake, or consider undertaking, political activities they bear in mind the impact which such involvement might have - or be seen to have - on their ability to discharge their professional

duties impartially. If auditors are permitted to participate in political activities they have to be aware that these activities may lead to professional conflicts.

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## **Conflicts of interest**

22. When auditors are permitted to provide advice or services other than audit to an audited entity, care should be taken that these services do not lead to a conflict of interest. In particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain firmly with the management of the audited entity.
23. Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities which could influence or be perceived as influencing their independence and integrity.
24. Auditors should avoid all relationships with managers and staff in the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.
25. Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption or which may raise doubts about their objectivity and independence.
26. Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Neither should they divulge information which would provide unfair or unreasonable advantage to other individuals or organisations, nor should they use such information as a means for harming others.

## ***Chapter 4*** **Professional Secrecy**

27. Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the SAI's statutory or other identified responsibilities as part of the SAI's normal procedures or in accordance with relevant laws.

## ***Chapter 5*** **Competence**

28. Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality.
29. Auditors must not undertake work they are not competent to perform.
30. Auditors should know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices. Likewise, they must possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.

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## **Professional Development**

31. Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports.
32. Auditors should use methods and practices of the highest possible quality in their audits. In the conduct of the audit and the issue of reports, auditors have a duty to adhere to basic postulates and generally accepted auditing standards.

33. Auditors have a continuous obligation to update and improve the skills required for the discharge of their professional responsibilities.

### ***Glossary***

The terms used in this Code of Ethics have the same interpretation or definition as those used in the INTOSAI Auditing Standards.