

# STRONGER together



Lewes District Council



Working in partnership with Eastbourne Homes

|  |   |
|--|---|
| <b>Document name:</b>  | <b>Code of Ethics for Internal Auditors</b> |
| <b>Document type:</b>  | Policy                                      |
| <b>Authority(ies) covered:</b>   | Aligned                                     |
| <b>Responsible (Executive Lead):</b>                                   | Chief Finance Officer                       |
| <b>Accountable (Operational Lead):</b>                                 | Chief Internal Auditor                      |
| <b>Version (e.g. first draft, final report):</b>                       | First Draft Update                          |
| <b>Approved by:</b>  |   |
| <b>Date of publication:</b>  |   |
| <b>Revision due:</b>   |   |
| <b>Final Equality and Fairness Analysis (EaFA) report approved by:</b> | Not applicable                              |
| <b>Date final EaFA report approved:</b>                                | Not applicable                              |

## Contents

|                                 |                   |
|---------------------------------|-------------------|
| Introduction                    | <a href="#">2</a> |
| Code of Ethics                  | <a href="#">2</a> |
| Rules of Conduct                | <a href="#">3</a> |
| Due Professional Care           | <a href="#">4</a> |
| Working Relationships           | <a href="#">6</a> |
| Seven Principles of Public Life | <a href="#">7</a> |

## **CODE OF ETHICS FOR INTERNAL AUDITORS**

### **Introduction**

The Code of Ethics is a comprehensive statement of the values and principles that should guide the daily work of the Internal Audit function.

This code does not supersede or replace the requirements of the councils' terms and conditions of employment or other relevant codes and policies.

### **Code of Ethics**

Internal Auditors are expected to behave ethically and uphold the following principles issued by the Relevant Internal Audit Standard Setters as the Public Sector Internal Audit Standards (PSIAS).

|                        |  |
|------------------------|--|
| <b>Integrity</b>       | the integrity of internal auditors establishes trust and this provides the basis for reliance on their judgement.  |
| <b>Objectivity</b>     | internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements. |
| <b>Confidentiality</b> | internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.   |
| <b>Competency</b>      | internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.  |

### **Rules of Conduct**

Internal auditors...

|             |   |
|-------------|---|
| Integrity   | <ul style="list-style-type: none"> <li>• shall perform their work with honesty, diligence and responsibility</li> <li>• shall observe the law and make disclosures expected by the law and the profession</li> <li>• shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation</li> <li>• shall respect and contribute to the legitimate and ethical objectives of the organisation</li> </ul> |
| Objectivity | <ul style="list-style-type: none"> <li>• shall not participate in any activity or relationship that may impair or be presumed to impair the unbiased assessment. This participation includes those</li> </ul>   |

- activities or relationships that may be in conflict with the interests of the organisation
- shall not accept anything that may impair or be presumed to impair their professional judgement
  - shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.
- Confidentiality
- shall be prudent in the use and protection of information acquired in the course of their duties
  - shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation
- Competency
- shall engage only in those services for which they have the necessary knowledge, skills and experience
  - shall perform internal audit services in accordance with the Public Sector Internal Audit Standards
  - shall continually improve their proficiency and the effectiveness and quality of their services.

### **Due Professional Care**

Auditors are also expected to exercise due professional care as follows:

#### Principles of due professional care

Due professional care is:

- working with competence and diligence – it does not imply infallibility
- the use of audit skills, knowledge and judgement based on appropriate experience, training (including CPD), ability, integrity and objectivity
- respecting and understanding confidentiality.

Adherence to these standards will contribute to demonstrating that due professional care has been exercised.

#### Responsibilities of the individual auditor

Individual auditors are personally responsible for applying due professional care to their own work and conducting themselves appropriately. They should:

- be fair and not allow prejudice or bias to override objectivity
- declare any interest that could be perceived to be conflicting or could potentially lead to conflict
- not accept any gifts, hospitality, inducements or other benefits for employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's policy)

- use all reasonable care in obtaining sufficient, relevant and reliable evidence on which to base their conclusions, professional judgements and recommendations
- be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest
- have sufficient knowledge to identify indicators that fraud or corruption may have been committed
- disclose all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements
- not use information they obtain in the course of their duties for personal benefit or gain.

#### Responsibilities of the Chief Internal Auditor and Audit Manager

The Chief Internal Auditor and Audit Manager should develop a monitoring and review programme to ensure that due professional care is achieved and maintained.

The Chief Internal Auditor and Audit Manager should ensure that procedures are in place for individual auditors to disclose any suspicions of fraud, corruption or improper conduct.

The Chief Internal Auditor and Audit Manager should make provision to avoid potential conflicts of interest and for the appropriate training and continuing professional development of all internal audit staff.

#### Working Relationships

The work of internal audit means that auditors are involved with a wide range of relationships. The quality of these relationships impacts on the effective delivery of service as well as the reputation and independence of the function.

#### Management

Management (and staff at all levels) need to have confidence in the integrity, independence and capability of internal audit. It is important to build co-operative relationships with management but these must not detract from auditors reporting control issues where necessary. Audit work must be planned in conjunction with management to ensure timings are acceptable unless unannounced visits are necessary. It is also important to keep managers abreast of the ongoing work and any major observations that will be noted in the report.

Other internal auditors

Where auditors need to work with internal auditors from another organisation the roles and responsibilities of each and the level of reliance on each others work should be agreed.

External Auditors

Internal audit provides assurance within the councils whereas external audit is responsible for giving an independent opinion on the organisation's financial statements and its use of resources.

There should be mutual recognition and respect leading to a joint improvement in performance. It is also important to avoid any duplication in work. It should be possible for both parties to rely on each other's work thereby enabling them to evaluate, review and only re-perform where necessary.

The Chief Internal Auditor and Audit Manager should meet regularly with a representative of the external auditors to consult on and co-ordinate their plans and discuss how work can be tailored to satisfy each party's responsibilities in areas of common interest.

Other regulators and inspectors

The Chief Internal Auditor and Audit Manager should seek to establish a dialogue with the agencies that may interact with the organisation, with a view to exchanging relevant information.

Elected members

The Chief Internal Auditor and Audit Manager must establish and maintain good working relationships and channels of communications with members.

**The Seven Principles of Public Life**

In addition internal auditors must have regard to the Seven Principles of Public Life which the Committee of Standards of Public Life believes should apply to all the public services. These are:

- Selflessness: holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- Integrity: holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- Objectivity: in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

- Accountability: holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- Openness: holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- Honesty: holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- Leadership: holders of public office should promote and support these principles by leadership and example.