

# Internal Audit

## Code of Ethics



**ARA**  
AuditRiskAssurance

Gloucester City Council    STROUD DISTRICT COUNCIL    Gloucestershire COUNTY COUNCIL

## Internal Audit Code of Ethics

The *Code of Ethics* is a statement of principles and expectations governing the behaviour of individuals and organisations in the conduct of internal auditing as mandated by the Public Sector Internal Auditing Standards (PSIAS) 2017 and the Chartered Institute of Public Finance and Accountancy (CIPFA) Local Government Application Note for the UK PSIAS 2019 Edition.

The purpose of the Code is to promote an ethical culture in the profession of internal auditing. It does not supersede or replace internal auditors' own professional bodies' codes of ethics, or those of employing organisations.

The Code provides the principles and rules of conduct under four headings as summarised below:

Rule	Principle
<b>Integrity</b>	The integrity of internal auditors establishes trust and thus 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.

## 1. Integrity Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

### Rules of Conduct

Internal Auditors:

- Shall perform their work with honesty, diligence, and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- 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.
- Shall respect and contribute to the legitimate and ethical objectives of the organisation.

## 2. Objectivity Principle

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.

### Rules of Conduct

Internal Auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those 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.

### 3. Confidentiality Principle

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.

#### Rules of Conduct

Internal Auditors:

- 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.

### 4. Competency Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

#### Rules of Conduct

Internal Auditors:

- 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 International Standards for the Professional Practice of Internal Auditing.
- Shall continually improve their proficiency and the effectiveness and quality of their services.

## The Standards of Public Life

In addition, ARA also has regard to the Committee on Standards in Public Life's *Seven Principles of Public Life*. Further details can be found [here](#).

### The Seven Principles of Public Life (holders of public office)

#### **Selflessness**

Should take decisions solely in terms of the public interest.

#### **Integrity**

Must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

#### **Objectivity**

Must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

#### **Accountability**

Are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

#### **Openness**

Should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

#### **Honesty**

Should be truthful.

#### **Leadership**

Should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.