



RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2018/19

COMMITTEE:

Item No. 7

AUDIT COMMITTEE

Internal Audit Charter 2019/20

25th March 2019

REPORT OF:-

HEAD OF REGIONAL AUDIT SERVICE IN CONSULTATION WITH THE
DIRECTOR OF FINANCE AND DIGITAL SERVICES (RCTCBC)

Author: Mark Thomas (Head of Regional Audit Service)

Telephone No. 01446 709572

1. PURPOSE OF THE REPORT

- 1.1 This report provides Members with the draft Internal Audit Charter for 2019/20.

2. RECOMMENDATIONS

It is recommended that Members:

- 2.1 Consider what comments and recommendations, if any, they wish to make
- 2.2 Approve the Internal Audit Charter for 2019/20 (as included at **Appendix A**) as required by Attribute Standard 1000 of the Public Sector Internal Audit Standards.

3. REASON FOR RECOMMENDATION

- 3.1 To set out the position, scope and authority of Internal Audit within the Council in a document called an Internal Audit Charter in line with the

requirements of the Public Sector Internal Audit Standards (Attribute Standard 1000 Purpose, Authority and Responsibility).

4. BACKGROUND

- 4.1 The Public Sector Internal Audit Standards (the 'Standards') require the purpose, authority and responsibility of each Internal Audit Service to be defined in a document called an 'Internal Audit Charter' (**Attribute Standard 1000 Purpose, Authority and Responsibility**).
- 4.2 The Standards make reference to a governance group it calls 'the Board'. The responsibilities of the Board in Rhondda Cynon Taf County Borough Council are defined within the Internal Audit Charter and have been allocated to the Council's Audit Committee.
- 4.3 The Internal Audit Charter is a formal document that establishes the Internal Audit Service's position within the organisation, including the nature of the Head of Internal Audit's functional reporting relationship with the Board (i.e. the Council's Audit Committee); authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the Internal Audit Charter resides with the Board.

5. INTERNAL AUDIT CHARTER 2019/20

- 5.1 The Internal Audit Charter 2019/20 is the first charter to be prepared by the Regional Audit Service that will commence delivery of internal audit services on behalf of Rhondda Cynon Taf County Borough Council from 1st April 2019.
- 5.2 A copy of the Internal Audit Charter 2019/20 is included as Appendix A for Members consideration.

6. EQUALITY AND DIVERSITY IMPLICATIONS

- 6.1 There are no equality and diversity implications as a result of the recommendations set out in the report.

7. CONSULTATION

- 7.1 There are no consultation implications as a result of the recommendations set out in the report.

8. FINANCIAL IMPLICATION(S)

- 8.1 There are no financial implications as a result of the recommendations set out in the report.

9. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED

- 9.1 The provision of regular information in respect of internal audit services delivered on behalf of the Council supports compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018.

- 9.2 Regulation 7 (Internal Audit) of Part 3 of the 2018 Regulations directs that: *“A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.”*

10. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT

THE COUNCIL'S CORPORATE PLAN PRIORITIES

- 10.1 The work of Internal Audit aims to support the delivery of the priorities contained within the Council's Corporate Plan – *The Way Ahead*, in particular 'Living Within Our Means' through ensuring that appropriate internal controls are in place to effectively manage resources.

WELL-BEING OF FUTURE GENERATIONS ACT

- 10.2 The Sustainable Development Principles, in particular Prevention, can be applied to the work of internal audit in providing assurance or otherwise that risks to the achievement of objectives are being managed.

11. CONCLUSION

- 11.1 The Internal Audit Charter is the document that defines the purpose, authority and responsibility of internal audit services to be delivered by the Regional Audit Service on behalf of Rhondda Cynon Taf County Borough Council.

- 11.2 In line with the Standards, the Regional Audit Service has drafted an Internal Audit Charter for Audit Committee's consideration and if deemed appropriate, approval for the 2019/20 financial year.

LOCAL GOVERNMENT ACT, 1972
as amended by
THE ACCESS TO INFORMATION ACT, 1985
RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL
LIST OF BACKGROUND PAPERS
AUDIT COMMITTEE
25th MARCH 2019

**HEAD OF REGIONAL AUDIT SERVICE IN CONSULTATION WITH THE
DIRECTOR OF FINANCE AND DIGITAL SERVICES (RCTCBC)**

Author: Mark Thomas (Head of Regional Audit Service)

Item

7. Internal Audit Charter

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**RHONDDA CYNON TAF COUNTY
BOROUGH COUNCIL**

DRAFT Internal Audit Charter
2019/20

Review and approval of the Internal Audit Charter

- A. In accordance with the 'Public Sector Internal Audit Attribute Standard 1000 Purpose, Authority and Responsibility', this Internal Audit Charter will be reviewed annually by the Council's Audit Committee and if deemed appropriate, approved by this Committee.
- B. The Internal Audit Service¹ is committed to meeting the standards laid down in the Public Sector Internal Audit Standards Framework.
- C. In Rhondda Cynon Taf County Borough Council the role of the Board, as defined within the Public Sector Internal Audit Standards, will be the responsibility of the Council's Audit Committee and any reference made throughout this document relating to Audit Committee assumes the responsibilities of the Board as defined and referred to within the Standards.
- D. In addition to this Charter, Internal Audit has an Audit Manual that provides detailed guidance to staff when undertaking their daily duties.
- E. Any significant deviations from the Standards will be reported to the Audit Committee.

¹ Internal Audit Service – reference to Internal Audit or Internal Audit Service denotes the Regional Audit Service that will provide internal audit services on behalf of Rhondda Cynon Taf County Borough Council from 1st April 2019

Introduction & Overview of the Internal Audit Service

- 1.1 This Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit Service.
- 1.2 The Internal Audit Charter is defined within the Public Sector Internal Audit Standards as follows:
'The Internal Audit Charter is a formal document that defines the purpose, authority and responsibility of Internal Audit activities. The Internal Audit Charter establishes Internal Audit's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.'
- 1.3 A professional, independent and objective Internal Audit Service is one of the key elements of good governance, as recognised throughout the UK Public Sector.

Public Sector Internal Audit Standards

- 1.4 The Public Sector Internal Audit Standards became effective from the 1st of April 2013 and were updated in March 2017. The Public Sector Internal Audit Standards replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006. Conformance with the Standards, the Definition of Internal Auditing and Code of Ethics is mandatory.

Objectives of Internal Audit

- 1.5 As an independent appraisal function within the Council, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of internal controls as a contribution to the proper, economic, efficient and effective use of resources that helps to safeguard the Council's accounting records and control systems and that assists Managers in identifying, assessing and managing significant risks.
- 1.6 The Internal Audit Service formulates an annual Business Plan where the priorities of the Service are identified.

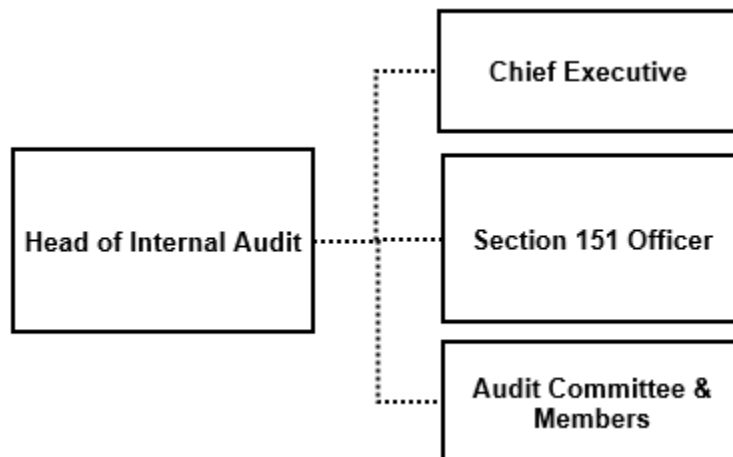
Independence and Objectivity

1.7 The main determinant of the effectiveness of Internal Audit is that it is seen to be independent and that Internal Auditors must be objective in performing their work. To ensure this, Internal Audit operates within a framework that allows:

- Unrestricted access to the Senior Leadership Team;
- Unrestricted access to Members (including the Leader, Cabinet Members and Audit Committee);
- Unrestricted access to the Wales Audit Office (i.e. the Council's External Auditor);
- Reporting in its own name; and
- Internal Audit is free from interference when determining the scope of audit reviews, performing the work and communicating the results.

1.8 For Rhondda Cynon Taf this is achieved through a reporting relationship as the following staffing structure in Figure 1 shows:

Figure 1 – Internal Audit reporting arrangements



Section 151 Officer

1.9 The Section 151 Officer has overall responsibility for the proper administration of the Council's financial affairs. Internal Audit assists the Officer by providing an opinion on the overall control environment and by regular assurance testing of the key financial systems.

Audit Committee

- 1.10 The Council operates an Audit Committee that meets on a cyclical basis. It monitors the performance of Internal Audit in relation to productivity, efficiency and quality. It receives regular reports on individual audit assignments and progress in delivering the Annual Audit Plan and is attended by the Head of Internal Audit² as well as Officers from the Council.
- 1.11 In addition, the Audit Committee receives the Internal Audit Annual Report that provides a summary of all assurance and consultancy work undertaken and concludes by giving an opinion on the overall control environment within the Council. If a qualified or unfavourable annual internal audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.
- 1.12 The Head of Internal Audit has unrestricted access to the Chair of Audit Committee.
- 1.13 In terms of additional focus and challenge, the Public Sector Internal Audit Standards places a responsibility on the Head of Internal Audit to seek feedback from the Chair of Audit Committee in relation to performance.

Senior Management

- 1.14 The Council is divided into Service Groups, each of which is headed by a Group Director or equivalent, and a Chief Executive's Division headed by the Chief Executive. It is the role of the Chief Executive and each Group Director or equivalent to ensure delivery and operation of the service areas falling within their remit.

Relationships with key stakeholders

Service Managers

- 1.15 The Internal Audit Service develops constructive working relationships with Managers at all levels within the Council in terms of:
- Planning work;

² Head of Internal Audit – denotes the Head of Internal Audit of the Regional Audit Service

- Carrying out audit assignments; and
- Agreeing action plans arising from the work undertaken.

1.16 Whilst maintaining its independence, the Internal Audit Service recognises that it must work with Managers to agree improvements that are deemed necessary.

External Auditors

1.17 The aim of the relationship between internal and external auditors is to achieve mutual recognition and respect, leading to a joint improvement in performance and to avoid, wherever possible, duplication of work.

1.18 The Head of Internal Audit liaises regularly with the Wales Audit Office to consult on audit plans, discuss matters of mutual interest and to seek opportunities for co-operation in the conduct of audit work.

Elected Members

1.19 The Head of Internal Audit will aim to have sound working relationships and channels of communication with Cabinet, Scrutiny & Audit Committee Members.

THE PURPOSE OF INTERNAL AUDIT

Statutory Requirement for Internal Audit

1.20 Part 3 of The Accounts and Audit (Wales) Regulations 2018 concerns financial management and internal control. Regulation 5 (responsibility for internal control and financial management) of Part 3 directs that:

'The relevant body must ensure that there is a sound system of internal control which facilitates the effective exercise of that body's functions and which includes:

- (a) Arrangements for the management of risk, and*
- (b) Adequate and effective financial management.'*

1.21 Regulation 7 (Internal Audit) of Part 3 directs that:

'A relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.'

Definition of Internal Audit

1.22 Internal Audit is defined within the Public Sector Internal Audit Standards as follows:

'Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

1.23 The Public Sector Internal Audit Standards provide the following definitions for assurance and consultancy work:

- **Assurance Services**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements. These Services are also provided to external parties i.e. Amgen and the Central South Consortium Joint Education Service.

- **Consulting Services**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the Internal Auditor assuming management responsibility. Examples include counsel, advice, facilitation and training. The nature of Consulting Services provided includes acting as a 'critical friend' on Project Boards. These Services can / are provided, as per the definitions above, to external parties also.

1.24 The core aim of the work undertaken is to establish a risk based annual Internal Audit Plan that is balanced and covers the entire (as far as is practicable) control environment of the Council. In order to undertake a balanced workload, Internal Audit plans to complete a mix of assurance and consultancy work, the outcomes of which contribute to the Internal Audit Annual Report where it concludes with an opinion on the Council's overall control environment.

THE AUTHORITY OF INTERNAL AUDIT

Scope & Rights of Access

- 1.25 All the Council's activities, funded from whatever source, and indeed the entire control environment fall within the remit of Internal Audit. Internal Audit will consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken all necessary steps to achieve these objectives. The scope of Internal Audit work should cover all operational and management controls and should not be restricted to the audit of systems and controls necessary to form an opinion on the financial statements. This does not imply that all systems will necessarily be reviewed, but that all will be included in the audit needs assessment and hence considered for review following the assessment of risk. The Internal Audit activity is free from interference in determining the scope of internal auditing, performing work and communicating results.
- 1.26 It is not in the remit of Internal Audit to challenge the appropriateness of Policy decisions. However, Internal Audit is required to examine the management arrangements of the Council by which such decisions are made, monitored and reviewed.
- 1.27 Internal Audit has rights of access to all of the Council's records, information and assets that it considers necessary to fulfil its responsibilities, including those of partner organisations. Rights of access to other bodies funded by the Council should be set out in conditions of funding. The Head of Internal Audit has a right of direct access to the Chief Executive, the Section 151 Officer, the Leader of the Council, the Monitoring Officer, the Audit Committee and the External Auditor. In turn, Internal Audit will comply with any requests from External Audit for access to any information, files or working papers obtained or prepared during the audit work that they need to discharge their responsibilities.

THE RESPONSIBILITY OF INTERNAL AUDIT

Managing the Internal Audit Activity

1.28 The Head of Internal Audit is responsible for delivering an Internal Audit Service that has the appropriate knowledge and skills, and is resourced appropriately in order to deliver an appropriate level of assurance covering the Council's control environment.

1.29 The Head of Internal Audit is also responsible for ensuring that the Internal Audit Service conforms with the Public Sector Internal Audit Standards, with no significant deviations.

Individual Auditors

1.30 Each Internal Auditor is responsible for undertaking their duties in accordance with the Public Sector Internal Audit Standards and strictly adhering to the Code of Ethics (included at Appendix A2).

Ensuring Independence & Objectivity

1.31 The Internal Audit activity is effectively managed when it provides independent and objective assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

Impairment to Independence – Assurance and Consulting Services

1.32 If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations and restrictions on access to records, personnel and property.

- 1.33 Independence is achieved via the reporting arrangements within the Council and the line management of the Head of Internal Audit. Objectivity (and also independence in terms of specific audit reviews) is managed by the Head of Internal Audit applying an evidenced based conflict of interest exercise each year.
- 1.34 A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively and hence the Head of Internal Audit requests a declaration from all staff annually to ensure there are no potential conflicts and to demonstrate transparency. The Head of Internal Audit completes an annual declaration and submits it to the Section 151 Officer.
- 1.35 In the event that any potential conflicts are identified by members of the Internal Audit Service then they are taken into account when allocating individual workloads to auditors.

Fraud & Irregularity

- 1.36 Internal Audit can contribute towards any investigative work in respect of fraud and potential irregularity and this is done in consultation with relevant Council Services.
- 1.37 In addition to this, Internal Audit resources are included within each Annual Audit Plan that aim to review the Council's governance arrangements in respect of managing the risks associated with potential fraud, bribery and corruption.

Resourcing

- 1.38 The Service prepares a new Audit Plan for each year. When compiling the draft Audit Plan, a full consultation process takes place with all key stakeholders during January & February each year. Information taken into account when compiling the annual audit plan includes:
- Strategic Risk Register;
 - Corporate Plan;
 - Core Financial Systems;
 - Fraud, Bribery & Corruption risk assessments;
 - Grant Claims that require Internal Audit certification;
 - Follow-up reviews requested by Audit Committee;
 - Audit reviews that are carried forward from the previous audit plan; and
 - Recommendations from External Inspectors / Regulators.
- 1.39 Consultation takes place with Group Directors, Directors, Service Directors and Heads of Service, and the Audit Plan takes into account the outcomes of previous audit work in the area(s) and the views of External Audit. It is

important at this stage to confirm with managers whether any external inspections are timetabled for the forthcoming year in order for Internal Audit to not duplicate potential areas to be reviewed.

1.40 The Audit Plan is fixed for a period of one year and outlines the assignments to be carried out, their respective priorities and the estimated resources needed. The plan differentiates between assurance and other work, and is flexible to be able to reflect the changing risks and priorities of the organisation. The aim is to establish a risk based Audit Plan that also covers the Council's overall control environment as far as practicable (as required within the Public Sector Internal Audit Standards). Contingencies are included within the Audit Plan in order for Internal Audit to respond to any emerging issues within the year.

Assessment of risk and priority

1.41 Each area identified within the draft Audit Plan is subject to a formal risk assessment. The methodology adopted has been recommended by CIPFA, 'The Exeter Approach'. The Exeter Approach uses a matrix of four main factors:

- Audit assurance / perception;
- Materiality;
- Inherent risk rating; and
- Staffing & systems.

1.42 The outcome of this exercise forms the basis of the Council's Audit Needs Assessment.

1.43 A formal Audit Needs Assessment, reviewing the draft Audit Plan against the resources available is completed in conjunction with the Council's Section 151 Officer. Should any potential areas be removed from the draft Audit Plan, full documented reasons for why areas have been removed are retained; examples of such reasons may be an external inspection is due, the area is not considered a high risk area and/or other support services within the Council could be utilised to undertake some of the work requested.

1.44 The draft plan contains a balance of assurance and consultancy work together with an adequate contingency of days for unplanned work.

1.45 The draft plan is submitted to Audit Committee for review and if deemed appropriate, approval. Where there is an imbalance between the proposed Audit Plan and the resources available then the Audit Committee will be

informed of the proposed solution(s). The Audit Committee should approve, but not direct, the annual Audit Plan.

- 1.46 The over-riding objective of undertaking a rigorous audit planning exercise is to ensure that Internal Audit is able to form an opinion in respect of the Council's internal control environment. This opinion is then used as a source of assurance to inform the Council's Annual Governance Statement. If a qualified or unfavourable annual audit opinion is issued, the reasons to support this will be stated within the Internal Audit Annual Report.

Proficiency and due professional care (and compliance with the code of ethics) of auditors when undertaking their duties

- 1.47 All staff are aware that they are required to undertake all duties asked of them with due professional care in accordance with the Public Sector Internal Audit Standards.

Ensuring the team is competent and treats all matters that are relevant with confidentiality

- 1.48 The Internal Audit Service has a staff mix that is experienced and skilled. When compiling the Annual Audit Plan and allocating subsequent reviews to individual auditors, the Head of Internal Audit ensures that there is a balance between the skills available and the work required to be carried out i.e. that Internal Audit can actually carry out the work that it plans to undertake.
- 1.49 In addition to the above, to ensure continuous improvement and development of all staff, the Head of Internal Audit holds one to one feedback sessions with all auditors. Feedback is given and received in terms of performance, and these sessions are also used to identify areas for development. The Internal Audit Service is a member of the South Wales Audit Group Training Programme and all Internal Audit staff members attend training sessions that are considered appropriate.
- 1.50 All staff are aware and are reminded when necessary that all matters relating to Internal Audit work must be treated with strict confidentiality.

Establishing appropriate quality assurance mechanisms within the Service

- 1.51 The Head of Internal Audit has developed a quality assurance and improvement programme that covers all aspects of Internal Audit activity. A quality assurance and improvement programme is designed to enable an evaluation of Internal Audit's conformance within the Definition of Internal Auditing and the Public Sector Internal Audit Standards together with an evaluation of whether Internal Auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.
- 1.52 The Council's Audit Committee receive regular performance reports from the Head of Internal Audit.
- 1.53 The Internal Audit Service undertakes an annual self-assessment of its conformance with the Public Sector Internal Audit Standards with the outcome being reported within the Head of Internal Audit's Annual Report. In the event of there being areas where non-conformance is identified, these will be communicated to Audit Committee in the form of an action plan. If significant deviations from the Standards are evidenced, these will be reported in the Annual Governance Statement.
- 1.54 The Public Sector Internal Audit Standards came into practice with effect 1st April 2013 and were updated in March 2017. Within the Standards there is a requirement for an external assessment to be undertaken once every five years by a qualified, independent assessor or assessment team from outside the organisation.
- 1.55 Internal Audit will comply with the requirement of the external assessment as described by the Public Sector Internal Audit Standards. The results of all external inspections will be reported to the Council's Audit Committee and any significant deviations reported in the Annual Governance Statement.

Post Audit Feedback Questionnaires

- 1.56 The Internal Audit Service values the views of Service Managers. On completion of each audit assignment, a Feedback Questionnaire is sent out asking Service Managers to comment on the way the review was conducted and the value they place on the findings and recommendations.

Communicating the results of individual audit reviews and following up the status of recommendations

1.57 The final product from every Internal Audit assignment is the communication of its results to the Audit Client. The Audit Report (and the recommendations arising from it) is the main standard by which the client will judge the Internal Audit Service.

1.58 Findings and recommendations emanating from Audit Reviews need to be communicated to Management promptly and in line with agreed 'turnaround' targets.

1.59 All audit recommendations are reported to Audit Committee, along with the introduction, scope, objectives and audit opinion.

Follow Up

1.60 The Internal Audit Service follows-up all agreed recommendations to ensure that they have been implemented within the timeframe agreed at the time the report was distributed. The provision and monitoring of this information is targeted at Group and Service Director level – and in turn receives the full support of all Group Directors. The provision of this information to Members (via Audit Committee) helps the Committee to monitor the Council's overall control environment.

1.61 Audit Committee receives a high-level summary report of outstanding recommendations across the whole of the Council's control environment.

Appendix A1 - Glossary of Terms

Control Environment

The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values;
- Management's philosophy and operating style;
- Organisational structure;
- Assignment of authority and responsibility;
- Human resource policies and practices; and
- Competence of personnel.

Appendix A2 - Code of Ethics

Public sector requirement

Internal Auditors in UK public sector organisations (as set out in the Applicability Section) must conform to the Code of Ethics as set out below. If individual Internal Auditors have membership of another professional body then he or she must also comply with the relevant requirements of that body. The Code of Ethics promote an ethical and professional culture. It does not supersede or replace Internal Auditors' own professional bodies Code of Ethics or those of employing organisations.

The purpose of The Institute of Internal Auditor's Code of Ethics is to promote an ethical culture in the profession of Internal Auditing. A Code of Ethics is necessary and appropriate for the profession of Internal Auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of Internal Auditing to include two essential components:

Components

- 1. Principles that are relevant to the profession and practice of Internal Auditing;
and*
- 2. Rules of Conduct that describe behaviour norms expected of Internal Auditors.*

These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of Internal Auditors.

The Code of Ethics provides guidance to Internal Auditors serving others. 'Internal Auditors' refers to Institute members and those who provide Internal Auditing services within the definition of Internal Auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide Internal Auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the Institute of Internal Auditors. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

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:

- 1.1 Shall perform their work with honesty, diligence and responsibility.*
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.*
- 1.3 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.*
- 1.4 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:

2.1 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.

2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.

2.3 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:

3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.

3.2 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:

4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.

4.2 Shall perform Internal Auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.

4.3 Shall continually improve their proficiency, effectiveness and quality of their services.