

# **SUPREME AUDIT OFFICE**

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**Audit Strategy Department**

**Auditor's Manual**

**A.3. Code of Ethics of NIK Auditors**

## Code of Ethics of NIK Auditors

### Introduction

The task of the Supreme Audit Office (NIK) is to audit and assess others. NIK auditors<sup>1</sup> should then meet the highest standards, showing a service-oriented attitude. An additional challenge for auditors stems from the long tradition of NIK. Therefore, the fulfilment of duties to the public takes precedence over auditors' own interest.

Auditors should follow the core values including:

- service to the public and the state,
- objectivity and impartiality,
- openness and consistency in assessment,
- professional ethics and perfection<sup>2</sup>.

The service-oriented attitude means that auditors should maintain special diligence, prudence and responsibility to the public and entities that use the results of NIK's work, as expressed in the oath taken by NIK auditors<sup>3</sup>. This oath, on the one hand, includes expectations of the public towards auditors and, on the other hand, constitutes a declaration to adopt the service-oriented attitude. This attitude allows for obtaining and reinforcing public confidence. That is impossible without the highest professional level and ethical conduct of auditors.

Auditors should also be aware that their attitude, presented while performing their duties in an audited entity, has a strong impact on the way NIK is perceived, on strengthening of its authority and credibility and, consequently, on perceiving the state as the common good of all citizens.

*The Code of Ethics of NIK Auditors* is a comprehensive set of values, principles of conduct and standards of behaviour which should be followed by all auditors. *The Code of Ethics of NIK Auditors* is not only an internal document addressed to NIK employees. All interested state bodies, auditees and the public opinion should have access to this document and assess the work of auditors on its basis.

In developing *The Code of Ethics of NIK Auditors* the principles outlined in the INTOSAI *Code of Ethics*, adopted by the INTOSAI Governing Board on 24 June 1996, have been taken into account.

NIK auditors should comply with the following core principles:

- integrity,
- independence, objectivity and impartiality,

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<sup>1</sup> It refers to auditors and audit supervisors.

<sup>2</sup> *The Strategy of the Supreme Audit Office – Mission and Vision*, p. 4.

<sup>3</sup> Article 70, paragraph 1 of the Act on NIK.

- competence and due care,
- observing professional secrecy,
- professional conduct.

## 1. Integrity

**Integrity in performing professional duties by auditors constitutes the basis for credibility of the results of NIK's audits for the parliament, the government and the public.**

- 1.1. Auditors should work in a reliable, honest and responsible way at all stages of the audit process, i.e. when planning, preparing, carrying out, reporting, or supervising an audit, trying to achieve the best possible results of their work, in particular by:
  - obtaining reliable knowledge of the audit subject, objectives and audited area,
  - diligent and timely execution of tasks and supervisors' instructions,
  - careful and cautious carrying out of audit activities,
  - complete and honest presentation of audit results and reliable evidence collection of audit files.
- 1.2. Auditors should obey the law and the rules of audit process. That especially refers to reporting audit findings in accordance with professional requirements.
- 1.3. Auditors should be aware of their responsibility for audit findings, as well as assessments, conclusions and recommendations made on their basis. Simultaneously, auditors should not evade tackling difficult problems and solutions, in case if public interest calls for sensible and at the same time effective and definite actions.
- 1.4. Auditors should be creative in carrying out their tasks and perform their duties in an active manner and with due diligence.
- 1.5. If auditors consider an instruction received to be illegal or faulty, they should present their reservations in writing to the supervisor. If the instruction has been confirmed in writing, auditors are obliged to perform it. If later it turns out that the reservations were justified, the supervisor who gave the instruction takes on responsibility for the actions undertaken. Auditors are not allowed to follow an instruction if they know that it would lead to a crime or irrevocable damage.

## 2. Independence, objectivity and impartiality

**Auditors should remain independent, objective and impartial in collecting, assessing and transferring information on the audited activity. Auditors shall not allow prejudice, bias, conflict of interest or third persons to influence the way in which they carry out their work.**

- 2.1. In performing their professional duties, auditors may experience attempts of pressure or influence by external factors. To effectively oppose such attempts or influence, auditors should not be involved in any activity that could have an impact on their independence and objectivity, and, consequently, on the independence and objectivity of NIK. This especially refers to:

- financial interests in the field that is the subject of an audit or activity of an audited entity, or close relations with persons who show such interests,
  - personal benefits or views that influence the impartiality of opinion,
  - personal relations with employees of an audited entity that exceed the level of professional contacts,
  - additional employment or activities that would harm the interest of NIK or might be inconsistent with its tasks and also would be inconsistent with auditors' duties<sup>4</sup>,
  - political activity or expressing political views that relate to an audit subject or the activity of an audited entity<sup>5</sup>,
  - former employment of an auditor in an audited entity as a person responsible for the audited activities or participating in such activities, or working for this entity,
  - auditors' relatives or acquaintances employed in an audited entity.
- 2.2. As auditors may be the only persons aware of a potential conflict of interest, they are obliged to disclose to their supervisor, prior to an audit, all relations between them and the audited entity. In such cases, the supervisor should<sup>6</sup>:
- make a note in the audit files and refrain from taking any actions when, in the supervisor's opinion, the potential conflict of interest is minimal or can be eliminated by effective supervision,
  - ask the employee whether they can resign from personal interests that cause the conflict of interest, or
  - assign the employee, without any harm to the conditions of employment, to work or tasks other than those that may cause the conflict of interest.
- 2.3. Auditors' independence and objectivity are particularly important in developing audit reports. Auditors should disclose, report and objectively assess all facts learned in relation to an audit and those which may be significant for audit results, taking into account explanations provided by employees of the audited entity concerning the causes of irregularities.
- 2.4. Auditors must not accept any benefits (e.g. gifts, bonuses, discounts) from an audited entity, its representatives or any other parties concerned, nor knowingly allow the auditors from the team they are responsible for to accept benefits that might influence their professional judgement.
- 2.5. In an audited entity, auditors should avoid undertaking any obligations, making use, if unnecessary, of small favours and establishing social contacts.

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<sup>4</sup> Article 75, paragraph 1 of the Act on NIK.

<sup>5</sup> Article 74, paragraph 1 of the Act on NIK.

<sup>6</sup> Exclusion of auditors from an audit – Article 31 of the Act on NIK.

- 2.6. Auditors should not demonstrate their political views or sympathies, their relations with public persons engaged in political, economic, social or religious activity, and refrain from promoting any groups of interest.
- 2.7. Auditors should not be engaged in any political influence or pressure that may lead to partiality nor in activities that might have be beneficial to any political party.

### **3. Competence and due care**

**Auditors should perform duties in a diligent and competent manner, and continuously maintain professional knowledge and skills at the level required to guarantee that the work is carried out in accordance with the state of the art developments in audit performance techniques and binding legal regulations.**

- 3.1. Auditors are obliged to carry out audits in accordance with the law, binding procedures and NIK auditing standards.
- 3.2. Auditors are obliged to constantly develop skills, effectiveness and quality of work and professional knowledge to carry out their duties at NIK in the best possible way.
- 3.3. Prior to an audit, auditors should make sure that they have proper knowledge and understanding of the audit programme, as well as that they know the area to be audited that sufficiently to carry out the audit.
- 3.4. If such a need arises, auditors should make use of knowledge of supervisors and co-workers and, if they lack specialised knowledge, they should use support from experts and specialists.
- 3.5. Auditors must always be prepared to give substantial and clear justification of their decisions, assessments, comments, recommendations and their performance during audits.
- 3.6. In carrying out joint tasks with other auditors, auditors should take care about their professional quality of work and good working relations.

### **4. Observing professional secrecy**

**Auditors should keep information obtained while performing professional duties confidential and shall not use or disclose such information, except for when it is required by a legal or professional provision<sup>7</sup>.**

- 4.1. Auditors should understand and approve of the fact that taking up work for NIK involves an obligation to keep confidentiality of information obtained during the performance of professional duties, which also applies to their personal life. The obligation to keep confidentiality does not

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<sup>7</sup> According to Article 180 paragraph 1 of the Act of 6 June 1997-Penal Code: "Persons obliged to maintain professional secrecy or secrecy connected with performing their profession or function may refuse to reveal circumstances subject to this obligation, unless the court or prosecutor releases these persons from the obligation to maintain secrecy".

cease after termination of employment<sup>8</sup>. The auditors may be waived from this obligation by the President of NIK<sup>9</sup>.

- 4.2. Auditors should exercise due care in using of the information obtained in relation to performing professional duties and protect it against unauthorised disclosure.
- 4.3. Auditors should not use the information obtained to get any personal benefits or in any other way that is incompatible with the law or detrimental to the audited entity.

## 5. Professional conduct

**Auditors should act to maintain the good opinion on the profession and should refrain from any behaviour that may discredit it.**

- 5.1. Auditors are obliged to behave in a professional and dignified manner in all circumstances and to apply high professional standards in carrying out their work, which allow for performing their duties in a competent and reliable manner, thus contributing to maintaining and improving the tradition of the auditing profession of NIK.
- 5.2. Auditors should obey and contribute to fulfilment of statutory objectives of NIK<sup>10</sup>, as well as to implementing the mission and vision of NIK.
- 5.3. Auditors should be honest both in professional and private life.
- 5.4. Auditors should treat everyone with respect and courtesy, taking into account each person's right to privacy. While carrying out audit tasks, auditors should keep in mind that a certain authority towards other persons may incur the temptation to misuse it.
- 5.5. Auditors should present loyalty, availability and initiative towards NIK and carefully implement the instructions of supervisors, ensuring that law is not violated or an error committed.
- 5.6. Auditors should neither demonstrate political views or sympathies, nor demonstrate intimacy with public persons engaged in political and economic activity.
- 5.7. Auditors cannot participate neither in strikes, protests nor in any other actions that disturb the work of NIK.
- 5.8. Auditors may not knowingly take part in any activity or engage in any actions that discredit the auditing profession or NIK.
- 5.9. While fulfilling their duties, auditors cannot let their actions to be emotionally-driven and should be ready to accept criticism, recognise their errors and correct them.
- 5.10. Professional relations of auditors with other NIK employees should be characterised by a joint responsibility for implemented tasks, cooperation and mutual respect.

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<sup>8</sup> Article 73 paragraph 2 of the Act on NIK.

<sup>9</sup> Article 73 paragraph 3 of the Act on NIK.

<sup>10</sup> In accordance with *The Strategy of NIK – Mission and Vision*, point 4, p. 7.

5.11. Auditors should use effectively and economically public funds that are entrusted to NIK and to audited entities.

Additional notes

**Resolving doubts connected with the application of *the Code of Ethics of NIK***

While applying the principles set out in *the Code of Ethics of NIK Auditors*, auditors may encounter problems with defining unethical behaviour or with solving ethical conflicts. In such case auditors may try to answer the following questions by themselves or with help of a co-worker or supervisor:

1. Is my decision or conduct compliant with the law, NIK standards and *the Code of Ethics of NIK Auditors*?
2. What effects will my decision or conduct have: on me, on other auditors, on NIK and on other people or institutions?
3. Can these effects lead to conflict of interest or a personal benefit at the expense of public interest?
4. Can my decision or conduct be justified by the public interest, and would it be assessed positively by the public opinion?
5. While performing professional duties:
  - do I properly prepare for an audit, obtain knowledge of the audit programme and of legal acts concerning the audited activity?
  - do I begin audit activities trying to find justification for preassumed assessments concerning an audited activity or actions ?
  - do I resign from collecting additional evidence assuming that this could lead to changes in an audit opinion?
  - do I try to disregard irregularities which would require undertaking additional, work-consuming evidence procedures in order to be included in an audit report?
  - do I prepare an audit report in such a way that the head of an audited entity is able to easily identify irregularities, their causes, scope, results and persons responsible?
  - while preparing audit reports do I avoid including in these documents emotional or imprecise statements and notions, which in an unjustified way assign bad intentions to certain persons?
  - do I try to avoid generalising negative assessment in an unjustified way, by putting more emphasis on some of audit findings?
  - do I appropriately manage the time assigned for an audit, keeping in line with the binding working time?



- do I avoid putting excessive burden upon the employees of an audited entity connected with various tasks required for my needs (e.g. preparation of tables, lists or analyses), justifying that with audit requirements?
  - do I avoid misusing my position by taking advantage of auditees' natural anxiety concerning consequences of an audit?
  - in relation with the employees of an audited entity, do I avoid guiding myself by personal sympathies or prejudices, using my own, diversified measures for assessing their actions?
  - do I avoid contributing to unjustified antagonisation of the employees of an audited entity with my behaviour?
6. Would I like others to show me the same behaviour in similar circumstances?

If auditors have further doubts, they should consult a direct supervisor about the problem. If the problem fails to be solved by the direct supervisor, auditors should turn to a higher-level supervisor, notifying their direct supervisor of this action.