**Audit Ethics**

The Code of Ethics extends beyond the definition of auditing to include two essential components:

1. Principles relevant to the profession and practice of internal auditing;

2. Rules of conduct that describe behavior 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.

1. ***Principles***

Internal auditors are expected to apply and uphold the following principles:

1. ***Integrity***

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

1. ***Objectivity***

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 relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

1. ***Confidentiality***

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.

1. ***Competency***

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

***2. Rules of Conduct***

***a. Integrity***

*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 organization.
* Shall respect and contribute to the legitimate and ethical objectives of the organization.

***b. Objectivity***

*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 organization.
* Shall not accept anything that may impair or be presumed to impair their professional judgment.
* Shall disclose all material facts known to them that if not disclosed, may distort the reporting of activities under review.

***c. Confidentiality***

*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 organization.

1. ***Competency***

*Internal auditors*:

* Shall engage only in those services for which they have the necessary knowledge, skills and experience.
* Shall perform internal auditing services in accordance with the Standards for the Professional
* Shall continually improve their proficiency and the effectiveness and quality of their services.

The code of ethics is in fact a series of codes, each of which depends on the individual auditor, the audit unit and the entire organization. If there are gaps in any of these three parts, then a suboptimal position arises. The code of ethics creates a special bond between the auditor and the employer. The internal auditor’s position is easily abused and there are not many officers who will question the auditor’s behaviour particularly where it appears that audit reports to some unseen higher authority. The code counters this problem and should be applied in an educational mode where auditors are encouraged to adopt the code as part of the training and development process.

**THEORIES OF ETHICAL BEHAVIOR**

Ethics refer to moral standards that may or may not be prescribed by law. There are three theories of ethical behavior Viz:

1. Utilitarianism.
2. Rights based approach.
3. Justice based approach.

No one approach is superior to the others

The **utilitarian approach** focuses on the **consequences** of an action on the individuals affected. It focuses on ALL individuals affected and not just one party. An action conforms to this principle if it will produce more pleasure or happiness (or prevent more pain or unhappiness) than any other possible action. One disadvantage of applying this approach is the difficulty in measuring the potential costs and benefits of the actions to be taken.

The **rights based approach** assumes that individuals have certain rights and other people have a duty to respect those rights. Thus an adherent of this school of thought should undertake an action as long as it does not infringe the rights of any individual.

**The theory of justice** is concerned with issues of equity, fairness and impartiality. It involves two principles;

1. That an individual has the right to have the maximum degree of personal freedom that is still compatible with the freedom of others.
2. Social and economic actions should be to everyone’s advantage and available to all. A person in a position to accumulate wealth has an obligation to ensure others are not worse off as a result of his/ her gains.