



HELLENIC REPUBLIC

# CODE OF CONDUCT FOR INTERNAL AUDITORS

January 2021



NATIONAL TRANSPARENCY AUTHORITY



# Code of Conduct for Internal Auditors



**NATIONAL TRANSPARENCY AUTHORITY**  
GENERAL DIRECTORATE FOR INTEGRITY AND ACCOUNTABILITY

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EDITORIAL

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The Code of Conduct for Internal Auditors was drafted in accordance with the directions of the NTA Governor, Angelos Binis, and with the supervision and coordination of the Head of the Directorate General of Integrity and Accountability, Maria Konstantinidou, and in particular by the staff of the Directorate of Accountability Policies and Standards: Melina Lampropoulou (Head of Division), Paris Zarnakoupis, Dimitra Dargenidou and Eleftherios Kalpakidis (graphic design).

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## Foreword

Professionals involved in the operation of Internal Audit in the Greek public administration face challenges and dilemmas that differ in many cases from those of Internal Auditors in the private sector. The core values and principles are the common starting point, but it is necessary to look more closely at the structure and specific characteristics, as well as the institutional framework governing public bodies.

The National Transparency Authority (NTA), in the context of the implementation of its strategic objective to support public administration officials who are or will be employed in Internal Audit Units, has drafted this Code of Conduct, with the aim of becoming a stable reference point on ethics and conduct issues for the entire public sector.

Our aim is to enrich this Code with practical examples of the problems that arise within public bodies and to integrate its content into the capacity building activities we organise in cooperation with the National Centre for Public Administration & Local Government (EKDDA).

The Code of Conduct is a living tool that will evolve alongside the strengthening and effective integration of the internal audit function into the governance systems of public bodies.

The NTA Governor

A handwritten signature in blue ink, appearing to read 'Angelos Binis', is positioned below the text 'The NTA Governor'.

Angelos Binis

## Preamble

The Code of Ethics for Internal Auditors is a comprehensive statement of the values and principles that should guide the ethical and professional conduct of Internal Auditors both inside and outside the service.

The Code is a reference point for Internal Auditors, it establishes confidence in the objectivity assurance on governance, risk management and internal audit systems, ensuring that the credibility and reputation of the Internal Audit Unit (IAU) is maintained and enhanced.

The concept of "Internal Auditors" includes all those who provide internal audit services to the IAUs.

This Code is issued by the National Transparency Authority (hereinafter, "NTA"). The mission of the Authority, according to its founding law 4622/2019, is to enhance transparency, integrity and accountability in the actions of government bodies, administrative authorities, state agencies and public organizations, as well as to prevent, deter, detect and address fraud and corruption in the actions of public and private entities and organizations. In addition, the Authority is responsible for the development and implementation of the National Internal Audit System, coordinating, guiding and supporting the IAUs of the General Government bodies.

In this context, the NTA contributes to development, adoption and implementation of a Code of Ethics for Internal Auditors, considering the principles and rules adopted by both the Code of Ethics of the International Institute of Internal Auditors (IIA) and the Code of Ethics of the International Organization of Supreme Audit Institutions (INTOSAI).

The Internal Audit Units of General Government bodies should not apply standards less stringent than those set out in this Code.



## Introduction

### Definition of Conduct

According to McNaughton and Rawling (2006)<sup>1</sup> ethics is defined as a system of ethics according to which ethical actions are those that are consistent with the duty, regardless of the consequences they may have for the individual performing the moral duty, or altogether.

Ethics often take the form of codified rules that, when they relate to specific professions, define what actions and behaviours are ethically acceptable.

### Internal Audit & the need for a Code of Conduct

Internal Audit acts at many levels, supporting those responsible for governance to assess how the organisation is operating and its results, to understand in depth any problems and their causes, and to make provisions to protect the organisation against future risks.

The independence, powers and responsibilities of Internal Audit in the Public Sector place high ethical demands on the staff of the Internal Audit Unit.

The conduct of Internal Auditors must be unquestionable at all times and in all circumstances.

Any deficiency in their conduct may call into question the integrity of the auditors, the quality and validity of their audit work, but may also expose both their Authority and the organisation to which they belong.

Therefore, the Code of Conduct is necessary for the conduct of Internal Audit, as it establishes confidence in the objectivity of the assurance provided at governance, risk management and compliance.

The Code of Conduct and International Standards of Internal Audit are the main tools available to Internal Auditors.

### Purpose

The Code of Ethics for Internal Auditors aims to promote an ethical mindset among internal auditors and to ensure a standard working environment by describing the philosophy, principles and rules regarding ethical and professional conduct of internal auditors.

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<sup>1</sup> McNaughton, D., Rawling, P. (2006) *Deontology*,  
*The Oxford Handbook of Ethical Theory*



The Code of Conduct aims to promote the following values:

	<b><i>I am a professional</i></b> • I am accountable for the quality of my work
	<b><i>I am independent</i></b> • I avoid any conflict of interest
	<b><i>I am objective</i></b> • I work without preconceptions
	<b><i>I am reliable</i></b> • I work with transparency and respect the agreements I make
	<b><i>I show respect</i></b> • I accept differences in thought and behavior
	<b><i>I am a good colleague</i></b> • I contribute to a pleasant working environment
	<b><i>I work in a cost-effective way</i></b> • I am prudent with public funds
	<b><i>I work in a sustainable way</i></b> • I treat people and the planet responsibly

### Content of the Code

This Code consists of the following parts:

**A.** The first part contains the fundamental principles and rules of the Code of Ethics for Internal Auditors and the scope of application.

**B.** In the second part, the Internal Auditors' Commitments to the auditees and to the organisation are described.

**F.** In the third part, the obligations of the Internal Auditors and the Head of the IAU for the implementation and observance of the Code, as well as its publication, are set out.

Examples are given in the Annex Ethical Dilemmas that Internal Auditors may face in the performance of their duties.

## Part A

### Principles and Rules of Conduct

The Code of Conduct includes two fundamental components:

**A. The Principles** related to the activity and practice of Internal Audit,

**B. The Rules of Conduct to be** followed by the Internal Auditors.

The Rules of Conduct convert the Principles into actions that the Internal Auditors must follow on a daily basis, thereby acting as a guide to address and resolving ethical dilemmas in the performance of their duties.

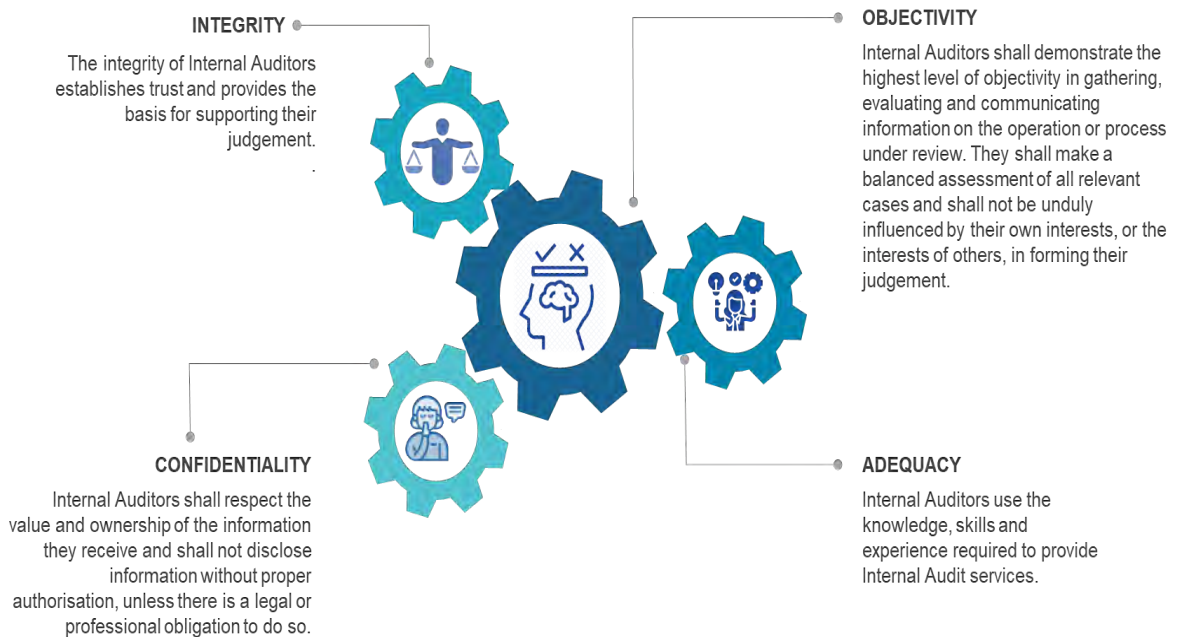
### Scope of application

The Principles and Rules of the Code of Conduct refer to and applied by Internal Auditors and govern the work and operation of the Internal Audit Unit.

The Code of Ethics for Internal Auditors cannot cover all possible ethical, moral and professional conduct issues that Internal Auditors may face.

It is complementary to the Code of Public Employees (Law 3528/2007), the Code of Status of Municipal and Community Employees (Law 3584/2007), the Code of Good Administrative Behaviour (2012, Ministry of Administrative Reform) which apply to all civil servants, as well as to any more specific provisions governing the operation and status of staff of other public bodies.

## Principles of the Code of Conduct



### 1. Integrity

The integrity of Internal Auditors establishes trust and provides the basis for supporting their judgement.

### 2. Objectivity

Internal Auditors shall demonstrate the highest level of objectivity in gathering, evaluating and communicating information on the operation or process under review. They shall make a balanced assessment of all relevant cases and shall not be unduly influenced by their own interests, or the interests of others, in forming their judgement.

### 3. Confidentiality

Internal Auditors shall respect the value and ownership of the information they receive and shall not disclose information without proper authorisation, unless there is a legal or professional obligation to do so.

### 4. Adequacy

Internal Auditors use the knowledge, skills and experience required to provide Internal Audit services.

## 1. Integrity

The Internal Auditors:

- 1.1 They carry out their work with honesty, diligence and responsibility.
- 1.2 Comply with the law and make the notifications required by law.
- 1.3 They do not knowingly engage, as parties, in any illegal activity, nor in acts that are dishonourable to themselves or the operator.
- 1.4 Respect and contribute to the legitimate and ethical purposes of the organisation, as defined in the applicable legislation.

**Q:** What factors can affect the integrity of internal auditors?

**A:** Internal Auditors, should be vigilant in identifying circumstances that may compromise their Integrity and avoid them or report them to the Head of the IAU.

Such circumstances may include, but are not limited to:

- ❖ personal, financial or other interests or relationships that may conflict with the interests of the Service,
- ❖ acceptance of gifts or gratuities,
- ❖ the exercise (let alone abuse) of power for personal gain,
- ❖ participation in political activities or lobbying groups,
- ❖ access to sensitive and/or confidential information.

## 2. Objectivity

The Internal Auditors:

- 2.1 They shall not engage in any activity or enter into any relationship that is likely to impair or be perceived to impair their impartial assessment. Including those activities or relationships which may conflict with the interests of the entity.
- 2.2 They do not accept anything that may damage or be perceived to damage their professional reputation.
- 2.3 They shall disclose all material information made known to them which, if not disclosed, might misrepresent the audit results.

**Q:** In performing audit work, can an Internal Auditor rely on "verbal" evidence or hearsay?

**A:** In order to ensure the principle of objectivity, the work must be planned, carried out and the findings reported in an accurate, fair and balanced way. Audit reports should therefore be objective, clear, concise, comprehensive, constructive, complete and timely.

The conclusions in opinions, reports, periodic audit reports and audit reports should be based exclusively on data collected and compiled in accordance with the audit methodology followed by the IAU.

### 3. Confidentiality

The Internal Auditors:

- 3.1 They are prudent in the use and protection of information acquired in the course of their duties.
- 3.2 They do not use information for personal gain or in a manner contrary to the law or harmful to the legitimate and ethical objectives of the organisation.
- 3.3 They comply with the provisions of the General Regulation for the Protection of Personal Data (EU) 2016/679 and Law No. 4624/2019.

**Q:** During an Internal Audit, an Internal Auditor gains access to critical information regarding the conduct of a tender for the procurement of material. Can he or she pass this information on to a colleague whose spouse is a supplier of the same material as the procurement?

**A:** The Internal Auditor must maintain the confidentiality of information obtained as a result of the work he/she performs in the course of his/her work, therefore he/she must not disclose any such information to third parties without appropriate and specific authority. If there is no legal or professional right or obligation to disclose the information, he or she must not use the information for personal gain or for the benefit of others.

### 4. Adequacy

The Internal Auditors:

- 4.1 They undertake all those projects for which they have the knowledge and experience
- 4.2 Provide Internal Audit services taking into account the International Standards for the Professional Practice of Internal Auditing.
- 4.3 They continuously improve the adequacy, efficiency and quality of their services.

**Q:** How is the adequacy of the Internal Auditors and the effectiveness of their services ensured?

**A:** The Head of the IAU should maintain a training policy and Internal Auditors should ensure that they upgrade the knowledge and skills required for the performance of their duties. To this end, the bodies should ensure the necessary resources for the certification, education and training of their IAUs' staff.

Part B

Commitment of the Internal Auditors to the auditees and to the Authority

Independence of the Internal Audit Operation



**Independence** - Internal

Audit must be independent by the management and should not have any administrative or managerial authority in the activities or the sectors constituting subject to audit.

Independence from the audited entity and other external interest groups is essential for auditors. This implies that internal auditors must behave in a way that does not in any way undermine their independence. In all matters related to the audit work, the independence of the internal auditors should not be affected by personal or external interests.

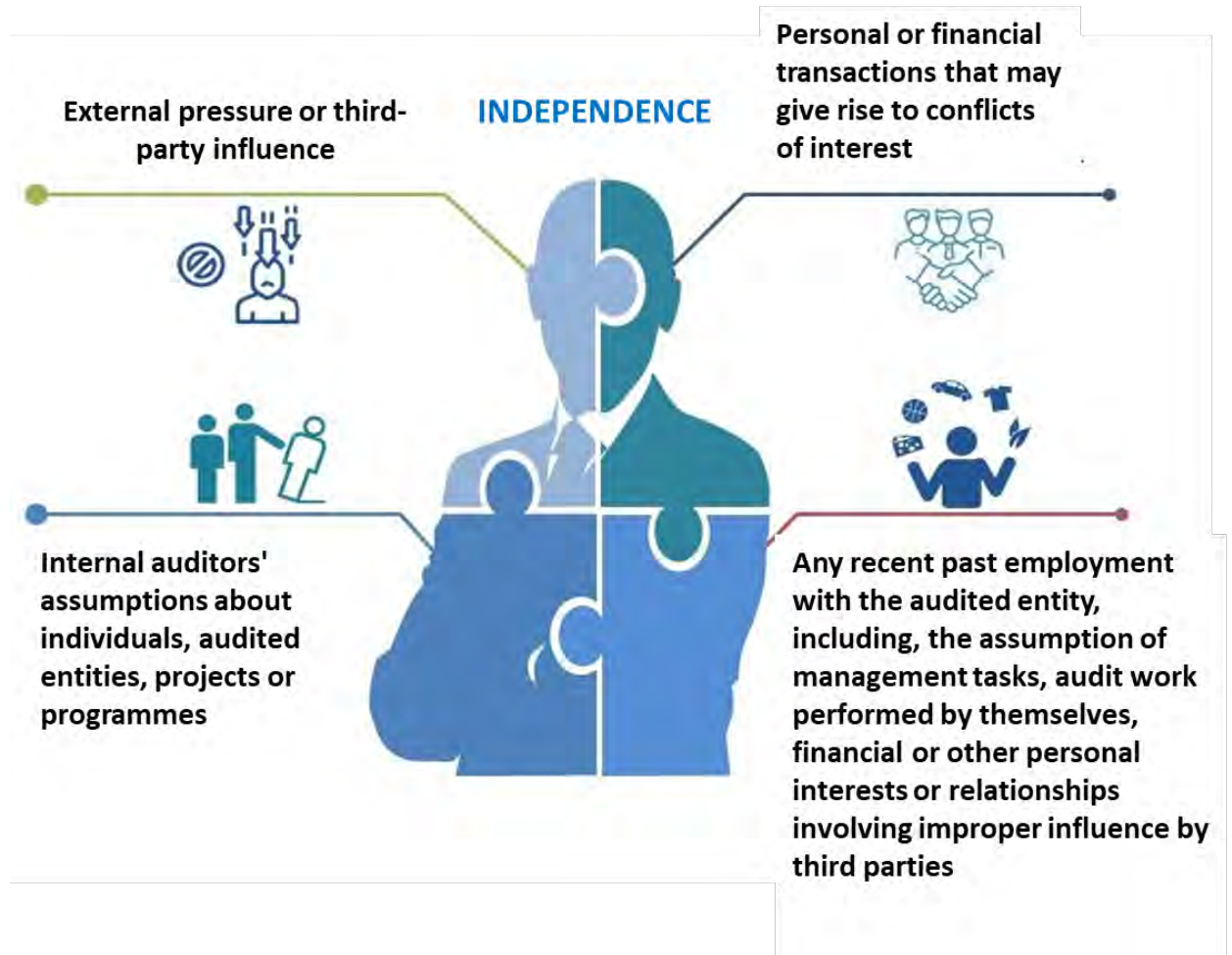
**Q:** Can I audit an area where I have been in charge in the past?

**A:** The Internal Auditor shall not be involved in any activities expected to be audited and for which he/she was previously in charge until at least one (1) year has elapsed since he/she was assigned or temporarily employed in the Internal Audit Unit.

**A:** If in a particular audit, personal interests or personal relationships may affect my independence as an Internal Auditor, what should I do?

**A:** The Internal Auditor should inform his/her direct supervisor of circumstances where personal interests or personal relationships may affect his/her independence, so that a decision can be taken on his/her participation in the audit in question.

Independence can be affected by:



## Conflict of interest

The Internal Auditor may face a conflict of interest when undertaking an internal audit assignment. A conflict of interest may affect his or her objectivity.

Internal Auditors shall not allow any conflict of personal interests with their duties in the Internal Audit Unit (IAU). Personal interest includes any benefits to themselves, their families, other relatives or friends or related agencies.

In particular:

- ❖ They shall not exploit for personal reasons access to premises or records as a result of the performance of their duties, in particular information obtained in the course of their duties, in order to use it as a means of harming others.
- ❖ They do not offer or provide advantages linked to their position in the Unit.
- ❖ They must not use their position for personal gain, avoiding any situation that might cast doubt on their objectivity and independence.



Internal Auditors should provide guarantees of impartial judgment in the exercise of their responsibilities. In particular, they should refrain from any action or proceeding that constitutes participation in the taking of a decision or the expression of an opinion or proposal if:

- ❖ the satisfaction of the personal interest is linked to the outcome of the case.
- ❖ they are spouses or relatives by blood or marriage, in direct line, indefinitely, and by affinity up to the fourth degree, with one of the persons concerned.
- ❖ they have special bond or a special relationship or enmity with the persons concerned.
- ❖ It is essential that internal auditors avoid any suggestion of nepotism or favouritism in their relations with colleagues or other contacts.





## Professional due Diligence

Obtaining appropriate education, experience, certifications and professional training helps Internal Auditors develop the level of skills and expertise required in order to perform their duties with due professional diligence. The application of due professional due diligence requires:



Professional due diligence does not imply perfection. Accordingly, Internal Auditors are expected to provide reasonable assurance on the existence of errors or mistakes, irregularities and deficiencies.

## Appropriate use of Computer Systems & Communications - Information Confidentiality

In the context of the execution of its statutory duties and the effective internal management of its work, the IAU has access to a large number of databases and archives.

Internal Auditors have a duty to protect the information recorded in electronic messages, documents, files and data held on computers. This applies both to information received from the audited entities and to that produced within the IAU itself.

This obligation may to some extent extend to the privacy of Internal Auditors, as particular care is required to maintain confidentiality within the family, social or other environment, including social media.

In addition, Internal Auditors shall take reasonable measures to protect portable means of storing electronic information, such as portable computers or data storage media, and to maintain the confidentiality of passwords to them. In particular, such media shall not be left exposed to the risk of theft or copying and shall be required to take reasonable steps to prevent any unauthorized use.

Upon leaving the IAU, Internal Auditors must return any official document, either in paper or electronic form, as well as any equipment (laptop, external storage units, digital signature, etc.) used during their term of office in the IAU, as they are strictly the property of the IAU.

## Part C

### Implementation and publication of the Code of Conduct

#### Implementation of the Code of Conduct

##### Responsibility of the IAU Head and the Authority

The understanding and proper implementation of the Code of Conduct by the Internal Auditors is the responsibility of the Head of the IAU.

The Head of the IAU shall maintain an internal procedure requiring compliance with the Code:

- Signature of an official declaration by the Internal Auditor at the time of the audit assignment that there is no impediment to undertaking the audit.
- Reference to this in the internal audit report.
- Information on the content of the Code, in particular for the first-time staff members of the IAU.
- Education on Ethics and conflict of interest issues and how to deal with them.

##### Liability of Internal Auditors

Internal Auditors must demonstrate responsible and ethical behaviour and consistently follow both the spirit and the purpose of the Code, and in any case where they have a question regarding its content,

should be addressed to the Head of the IAU.

Internal Auditors have the obligation to report and disclose to the Head of the IAU the cases of overt, potential or disguised conflict of interest, which come to their attention, in order to protect the Public Interest.

Internal Auditors have the obligation to assess and evaluate any risks that may affect their objectivity and report them to the Head of the IAU.

Internal Auditors shall not carry out manifestly unconstitutional or illegal orders of the Head of the IAU and shall act in accordance with the provisions on the legality of official acts as provided for in the relevant provisions of their institution.

Internal Auditors comply with the policies of the organisation and adhere to the Internal Regulations and other Codes including internal circulars and instructions.

The entity may require internal auditors to sign an annual declaration on their compliance with the authority's Code of Conduct.

## Publication of the Code of Conduct

The Code is available on the NTA. Through this publication, the aim is to enhance transparency as it enables any interested party to learn and evaluate the core values, principles and rules governing the exercise of the duties of the Internal Auditor and the operation of the Internal Audit Unit.



## Annex

## Ethical Dilemmas & Examples of Principles and Rules of the Code of Conduct Violations

Ethical dilemmas an Internal Auditor may face when:



- for a decision, two or more solutions are possible and legal.
- there is a choice of a different course of action, with different consequences depending on the decision taken.
- has doubts about the appropriate way to handle a situation.
- there is a conflict with its own ethical values or it has doubts or difficulties about the interpretation of the rule or principle that applies to each case.

### I. Examples of Ethical Dilemmas

#### 1. Pressure from the Administration

**E:** Pressure is exerted by the management of the organisation on the Head of the IAU to change the content of audit reports or documents, the content of which does not reflect positively on the way a matter is handled by the same management.

*What is the position of the Internal Auditor?*

**A:** Internal Auditors are under constant pressure to "strike a balance" between their independence and providing support to management. However, issues of mismanagement must be presented through audit reports.

#### 2. Friendly and Interpersonal Relationships

**Q:** You are conducting an audit in a department that was previously audited by your colleagues in the IAU. During the audit, you discover a significant error, which, according to the documents, has existed for several years and was not detected during the previous audit of the IAU. The discovery of the error could potentially expose the operation of the IAU.

*What should the Internal Auditor do?*

**A:** The Internal Auditor is required to report deficiencies, failures and omissions from previous audits.

## II. Examples of violations of the Principles and Rules of the Code of Conduct

### 1. Restrictions on data access

**E:** The Internal Auditor may be faced with any form of restrictions on access to records, personnel, agency assets or physical premises, and these restrictions have an impact on the scope of the work.

*What should the IAU executive do?*

**A:** The Internal Audit function must be free from any interference in determining its scope of work, performing the work and communicating the results. The head of the IAU should communicate such interference to the head of the entity and discuss the implications. The communication of the results describes any restriction on internal audit's access to records, assets of the organisation, personnel, etc.

### 2. Objectivity and Independence

**Q:** The IAU in an organisation reports directly to its head. While conducting an audit mission, Internal Audit discovers a significant cash shortage. When questioned about the shortfall, the officer in charge explains that the amount was given to cover high hospital costs for his child and that he agrees to repay the amount.

Due to the corrective action, the Head of the IMU does not inform the Head of the entity.

*In this case, the IAU shall be considered as independent and objective?*

**A:** The IAU has organisational independence but not objectivity in carrying out internal audit. The Head of the IAU is obliged to report this fact to the Head of the organisation.

### 3. Dedicated Professional Behaviour

**Q:** An Internal Auditor is very competent in his/her duties, but when conducting internal audits, he/she often behaves rudely towards the employees of the audited units, using offensive language.

*What should the Head of the IAU do?*

**A:** This type of behaviour will affect the acceptance of the Internal Auditor by the auditees. The Head of the IAU should make a recommendation to the Auditor with a view to correcting the professional conduct.

## Conceptual Dictionary

**Integrity:** The status or condition of one who has unshakable moral principles. Straightforwardness, honesty and sincerity. The will to do what is right, to uphold and live up to a set of values and expectations.

**Independence:** Freedom from conditions that prevent the internal audit function from performing its duties in an impartial manner.

**Objectivity:** The impartial attitude and mindset that allows internal auditors to perform their work as they believe it should be performed and not to compromise on its quality. Objectivity requires that auditors' judgement on audit matters should not be influenced by others.

**Opinion:** Is the conclusion/assertion made by the Head of the Internal Audit Unit on the governance, risk management and controls of the organisation. The Opinion may be based on the results of individual projects and other activities performed over a given period of time. The opinion provided may be qualified as positive, negative or qualified.

**Governance:** It is the combination of structures and procedures implemented by the management of the organisation to inform, direct, manage and control its activities in order to achieve its objectives.

**International Organization of Supreme Audit Institutions (INTOSAI):** The International Organization of Supreme Audit Institutions is a worldwide association of governmental entities. Its members are the governmental bodies of the chief auditors. INTOSAI is an autonomous, independent and non-political organisation. It constitutes a non-governmental organization with special consultative status as an umbrella organization for the public external audit community. A framework for supreme audit institutions has been established to promote the development and transfer of knowledge, improve public external audit worldwide and enhance professional competence.

**Engagement:** A specific Internal Audit review assignment, task or activity, such as an Internal Audit assignment, audit self-assessment review, fraud review or consulting engagement. A project may include multiple tasks or activities designed achieve a specific set of interrelated objectives.

**Internal Audit:** Is an independent, objective assurance and consulting activity designed to add value and improve the operations of the organisation. It helps the organisation to achieve its objectives by taking a systematic, professional approach to assessing and improving the effectiveness of its risk management processes, Internal Control System and governance processes.

**Ethical Values:** The values that allow the decision-maker to determine the appropriate behaviour to adopt and are based on anything "right" that may extend beyond the requirements of the law.

**Code of Conduct:** These are the principles that internal auditors must apply in order to promote professional and ethical principles in the performance of their duties.

**Impediment:** An impediment is anything that hinders the execution of a project, the handling of a case, and anything that interferes as an obstacle.

**Management Intervention:** The actions of management to circumvent prescribed policies or procedures for legitimate purposes. Management intervention is usually necessary to address non-recurring and non-standard transactions or events that would otherwise be handled inappropriately by the system.

**Added Value:** Is the value that Internal Audit adds to the organisation through objective and reasonable assurance and its contribution to the efficiency and effectiveness of governance, risk management and control processes.

**Conflict of interest:** A conflict of interest arises when an Internal Auditor's professional judgment or actions may be influenced by a personal or private interest leading to personal, financial or professional gain.

Concept of relative or close relative or covered relationship: This category includes the staff member's relatives, i.e. his/her spouse or relative by blood or marriage, in a straight line, indefinitely, in a lateral line up to the third degree, or persons with whom he/she has a special relationship of friendship or enmity or with whom has a covert relationship. Cases of conflict (in or out of service) or present or past litigation on personal grounds (e.g. lawsuit, lawsuit, divorce, inheritance, etc.) are covered.

Concept of special economic or other interest: A special economic or other interest is the real and foreseeable likelihood that the result of the employee's work will have an economic effect on the employee or the above-mentioned persons, which may be a profit or loss.

**Compliance:** Agreement and faithful application of policies, plans, procedures, laws, regulations, contracts or other requirements.

**Internal Control System (Internal Control System):** It is the network of functions and procedures, as well as control mechanisms adopted by the entity and designed to provide reasonable assurance of the achievement of its objectives in relation to:

- a. effectiveness and efficiency of its business operations,
  - b. reliability of financial and other reporting,
  - c. compliance with the laws, regulations and policies governing its operation.
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The Internal Audit System should take into account the generally accepted International Standards on Internal Audit and best practice strategies as formulated in particular by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Institute of Internal Auditors (IIA).

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