

<b>ATTRIBUTE POLICY</b>	POLICY NO.	<b>PAGE 1 OF 7</b>
	<b>105.00 AUDIT DIVISION CODE OF ETHICS</b> LAST REVISED: JULY 18, 2022	

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## **CODE OF ETHICS**

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### **PURPOSE –**

The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing and is adopted by the Audit Division (AD) of the Office of the City Controller for the City of Houston as provided by the Institute of Internal Auditors (IIA).

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### **POLICY –**

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

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 governance, risk management, and control. The Code of Ethics extends beyond the Definition of Internal Auditing to include two essential components:

1. Principles that are 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.

“Internal Auditors” refers to IIA members, recipients of or candidates for IIA professional certifications, and those who perform internal auditing services within the Definition of Internal Auditing.

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### **APPLICABILITY AND ENFORCEMENT**

This Code of Ethics applies to both individuals and entities that provide internal auditing services. AD staff members sign the Division’s “Code of Ethics Statement” each year. These statements are maintained by the AD to promote awareness and obtain acknowledgement of the Principles and rules of ethical conduct.

### **ETHICS FOR THE INDIVIDUAL AUDITOR**

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to the IIA's Bylaws and Administrative Directives. 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, certification holder, or candidate can be liable for disciplinary action by the IIA and by the City up to and including dismissal.

### **PRINCIPLES**

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

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- **INTEGRITY**  
The integrity of internal auditors includes performing engagements with an attitude that is objective, fact-based, nonpartisan, and nonideological. This maintains and strengthens public confidence in government.
  
- **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 the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. This is the basis for the credibility of auditing in the public sector.
  
- **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.
  
- **COMPETENCY**  
Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

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## **RULES OF CONDUCT**

### **1. INTEGRITY**

Internal auditors within the AD:

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

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## 2. OBJECTIVITY

Internal auditors within the AD:

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 organization.

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

2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

## 3. CONFIDENTIALITY

Internal auditors within the AD:

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 organization.

## 4. COMPETENCY

Internal auditors within the AD:

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 generally accepted government auditing standards (GAGAS) in conjunction with the *International Standards for the Professional Practice of Internal Auditing* and the AD's Policies and Procedures Manual.

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

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**RELEVANT PROFESSIONAL STANDARDS AND GUIDANCE**

**GAGAS (Yellow Book)**

ETHICAL PRINCIPLES                      3.02 – 3.16, 4.02 – 4.03

**IIA (RED BOOK)**

**IIA CODE OF ETHICS**

**IIA IMPLEMENTATION GUIDANCE**

- IIA CODE OF ETHICS PRINCIPLE 1: INTEGRITY
- IIA CODE OF ETHICS PRINCIPLE 2: OBJECTIVITY
- IIA CODE OF ETHICS PRINCIPLE 3: CONFIDENTIALITY
- IIA CODE OF ETHICS PRINCIPLE 4: COMPETENCY

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**CHANGE HISTORY**

CHG #	DATE	SECTION	DESCRIPTION/REASON
1	3/31/2016	ETHICS AT THE ENTITY LEVEL – NEW PARAGRAPH	Added new paragraph to address concerns resulting from 2014 Peer Review regarding entity level ethics required by IIA standards.
2	5/20/2016	APPLICABILITY AND ENFORCEMENT	Minor updates to reflect changes in the IIA’s Code of Ethics.
3	1/03/2018	RULES OF CONDUCT: 2.1	Minor updates to reflect changes in the IIA’s Code of Ethics
4	7/01/2019	RELEVANT STANDARDS	Updated to reflect updates to Professional Standards
5	7/18/2022	TITLE	Revised title of policy

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NAME: \_\_\_\_\_ POSITION/TITLE: \_\_\_\_\_

## **CODE OF ETHICS STATEMENT**

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For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA's Bylaws and Administrative Directives. 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, certification holder, or candidate can be liable for disciplinary action by the IIA and by the City up to and including dismissal.

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### **PRINCIPLES**

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

- **INTEGRITY**  
The integrity of internal auditors includes performing engagements with an attitude that is objective, fact-based, nonpartisan, and nonideological. This maintains and strengthens public confidence in government.
- **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 the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. This is the basis for the credibility of auditing in the public sector.
- **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.
- **COMPETENCY**  
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- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

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### **2. OBJECTIVITY**

Internal auditors within the AD:

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

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### **3. CONFIDENTIALITY**

Internal auditors within the AD:

- 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 organization.



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#### 4. COMPETENCY

Internal auditors within the AD:

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

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

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**I HAVE READ AND AGREE TO ADHERE TO THE CODE OF ETHICS AS OUTLINED ABOVE**

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Auditor

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Date

**RELEVANT STANDARDS:**

GAO 3.02-3.16

IIA Code of Ethics