

DIRECTORATE OF LOCAL FUND AUDIT, ODISHA,
TREASURY & ACCOUNTS BHAWAN, 2nd FLOOR,
UNIT-III, KHARAVELA NAGAR, BHUBANESWAR

No. 15295 /DLFA,
DLFA (Prog)-XIV-Aud-13/2012

Date 30/09/2013

From

Shri B.B. Panigrahi,
Deputy Director,
Local Fund Audit, Odisha.

To

All District Audit Officers,
Local Fund Audit, Odisha.

Sub: Code of Ethics for Audit personnel of Local Fund Audit Organisation.

Madam/Sir,

I am directed to enclose herewith the Code of Ethics for guidance of the audit personnel of the Local Fund audit Organisation who should abide by the said code while discharging their audit assignments. The Code should be circulated to all Auditors, Audit Superintendents and others concerned under your administrative control with strict instructions to abide by it and impress upon them that any violation of the same will be viewed seriously.

Yours faithfully,

Enclosure: As above.

Deputy Director 30/09/13

Memo No. 15296 /DLFA, Date 30/09/2013

Copy to all Officers, Audit Superintendents, Auditors, DLFA/ G.P. Section/Establishment Section, DLFA /Technical Director, NIC (ALFA In- charge) for information and necessary action. The Code may please be hoisted in the ALFA Portal.

Deputy Director 30/09/13

Memo No. 15297 /DLFA, Date 30/09/2013

Copy forwarded to the Deputy Secretary, LFA Branch, Finance department, Odisha for information..

Deputy Director 30/09/13

Code of Ethics prescribed for the audit personnel of the Local Fund Audit Organisation.

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

The Auditors Code of Ethics is a system or code of behaviour based on moral responsibility and obligation to explain how an auditor must behave. It is a guide for all audit personnel to enhance the performance and professionalism.

Objectives of Code of Ethics.

The basic objectives of Code of Ethics are to promote an ethical standard in the profession of auditing and provides guidance to Auditors in discharge of their responsibilities.

Importance of the Code of Ethics.

A code of ethics is very necessary and appropriate for those in auditing profession. The Code of Ethics includes two basic components:

- Principles that are relevant to the profession and practice of auditing.
- The Rules of Conduct describe behavioural norms expected of auditors.

Principles

Auditors are expected to apply and uphold the following principles

- **Integrity** - The integrity of auditors establishes trust and thus provides the basis for reliance on their judgment. Integrity requires auditors to observe both the form and spirit of auditing standards. It also requires auditors to observe the principles of independence, objectivity, standards, of professional conduct, and absolute honesty in their work.
- **Objectivity**- Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. They must make a balanced assessment of all the relevant circumstances and not to be unduly influenced by their own interests or by others in forming judgments. It is essential that auditors are independent and impartial, not only in fact but also in appearance.

- **Confidentiality** – Auditors must respect the value and ownership of information they receive during audit and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency** – Auditors must apply the knowledge , skills and experience needed in the performance of audit.

Rules of Conduct

1. Integrity

Auditors shall :

- Follow high standards of fairness, integrity and ethical conduct;
- Achieve their work with honesty, diligence, and responsibility;
- Observe the law and make disclosures expected by the law and the profession.
- Not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of auditing or to the Local Fund Audit Organisation;
- Respect the integrity of other auditors, recognizing their different experience and areas of expertise and contribute to the legitimate and ethical objectives of the organisation.

2. Objectivity

Auditors shall :

- Conduct the audit keeping in view the provisions of the relevant Acts and Rules without bias, prejudice, variance or compromise.
- 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 interest of the Local Fund Audit Organisation;
- Remain free of any influence , interest or relationship that impairs professional judgment, independence or objectivity while providing auditing services ;
- Auditors must not market their services at anytime during the audit process;
- Reveal any potential personal or perceived conflict of interest during initial contact or communication with the auditee institution;
- Auditors must avoid conflicts of interest at all times;
- Auditors must not conduct two consecutive audits for an institution;
- Protect their independence and not accept any gifts of gratuities which could influence , compromise or threaten the ability of the auditor to act and be seen to be acting independently;

- Uphold both the actual and perceived political neutrality in order to discharge their duties and responsibilities in an impartial way;

3. Confidentially.

Auditors Shall

- Sustain the confidentiality of information received during the audit;
- Be prudent in the use and protection of information acquired in the course of their duties;
- Not use audit information for any personal gain or in a manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Local Fund Audit Organisation;
- Take all reasonable steps to protect the confidentiality of the audit results, data collected and the anonymity of interviewees;

4. Competency

Auditors shall

- Engage only in those services for which they have the necessary knowledge, skills and experience, and not assign or subcontract any obligation of the audit program;
- Continually improve their proficiency and the effectiveness and quality of their skills;
- Be consistent and accurate in their evaluations of data obtained through documentation, interviews and observation;
- Strive to be complete in their evaluations and avoid any omissions;
- Separate fact from opinion clearly and concisely in their evaluations. Support for auditors opinions must be derived from quantitative & measurable data;
- Commit to honest, thorough and straightforward communication in the performance of audit activities;

Conclusion:-

The code of ethics governing the approach, attitude and mannerism of audit personnel is as important as the rules, enactments and guidelines for operation of the process of audit activities for achieving the ultimate goal for preparation of qualitative Audit Reports. None the less, it is intended to bring in an ethical culture in the Local Fund Audit Organisation.