

## **3. THE JOB OF THE AUDITOR**

The auditor is a professional with a special role to play in ensuring the integrity of the operations of the Government of Pakistan and safeguarding its assets. As such the auditor must fulfil certain expectations with respect to performance of duties and ethical conduct. The auditor is employed pursuant to a set of formal conditions and should expect appropriate protection in the fulfilment of his or her responsibilities. These issues are outlined below.

### **3.1 Expectations**

Auditors work in teams. Audit teams perform their work in accordance with DAGP's Auditing Standards, which are described in detail in Chapter 4. The audit teams should fulfil a number of general expectations in performing their duties:

- At least one auditor within the audit team should be fully conversant with the rules and regulations concerning the accounts to be audited.
- The audit team should subject the audit entity to a complete and thorough check according to the audit programme within the constraints of the time available. Any failure to complete the prescribed audit programme must be reported clearly and fully to the Audit Manager.
- Each auditor is expected to use professional judgment in carrying out all aspects of an audit programme.
- Although it is not the responsibility of the auditor to detect fraud, every auditor is expected to take appropriate action wherever a situation of fraud is suspected.

### **3.2 Conditions of Employment**

The conditions of employment of auditors within DAGP have been formally and extensively documented in the Auditor-General's Manual of Standing Orders. Please refer to the Manual of Standing Orders for details.

### **3.3 Code of Ethics**

#### **Introduction**

#### **Concept, Background and Purpose of the Code of Ethics**

1. The Auditor General of Pakistan (AGP) has deemed it essential to establish a Code of Ethics for auditors in the public sector.
2. This Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the Department of the Auditor General of Pakistan and the staff deployed on audit work. This code of ethics for auditors in the public sector outlines the ethical precepts of civil servants in general and the particular requirement of auditors, including the latter's professional obligations.
3. With the Lima Declaration of Guidelines on Auditing Precepts as its foundation, this Code of Ethics should be seen as a necessary complement, reinforcing the Auditing Standards

issued by the Auditor General of Pakistan in June 2002 in line with INTOSAI Code of Ethics and Auditing Standards.

4. The Code Ethics is directed at the individual auditor, the Auditor-General of Pakistan, executive officers and all individuals working for or on behalf of the AGP who are involved in audit work.

It is the responsibility of the AGP to ensure that all its auditors acquaint themselves with the values and principles contained in this Code of Ethics and act accordingly.

5. The conduct of auditors should be beyond reproach at all times and in all circumstances. Any deficiency in their professional conduct or any improper conduct in their personal life places the integrity of auditors, The Department of AGP that they represent, and the quality and validity of their audit work, in an unfavourable light, and may raise doubts about the reliability and competence of the Department of the AGP itself. This code of ethics for auditors should promote trust and confidence in the auditors and their work.
6. It is of fundamental importance that the Department of the AGP is looked upon with trust, confidence and credibility. The auditor promotes this by adopting and applying the ethical requirements of the concepts embodied in the key words Integrity, Independence and Objectivity, Confidentiality and Competence.

### **Trust, Confidence and Credibility**

7. The legislative and/or executive authority, the general public and the audited entities are entitled to expect the conduct and approach of the officers and the staff of the Department of the AGP to be above suspicion and reproach and worthy of respect and trust.
8. Auditors should conduct themselves in a manner which promotes co-operation and good relations among themselves and within the profession. The support of the profession by its members and their co-operation with one another are essential elements of professional character. The public confidence and respect that an auditor enjoys is largely the result of the cumulative accomplishments of all auditors, past and present. It is therefore in the interest of auditors, and the public, for auditors to conduct themselves in a fair and balanced way.
9. The legislative and/or executive authority, the general public and the audited entities should be fully assured of the fairness and impartiality of all the work the Department of the AGP.
10. In all parts of society there is a need for credibility. It is therefore essential that the reports and opinions of the Department of the AGP are considered to be thoroughly accurate and reliable by knowledgeable third parties.
11. All work performed by the Department of the AGP must stand the test of legislative and executive scrutiny, public judgments on propriety, and examination against this Code of Ethics.

### **Integrity**

12. Integrity is the core value of this Code of Ethics. Auditors have a duty to adhere to high standards of behaviour (e.g. honesty and candidness) in the course of their work and in

their relationships with the staff of audited entities. In order to sustain public confidence, the conduct of auditors should be above suspicion and reproach.

13. Integrity, including financial, moral, and intellectual integrity, can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of auditing and ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards professional conduct, make decisions with the public interest in mind, and apply absolute honesty in carrying out their work and in handling the resources of the Department of the AGP.

### **Independence, Objectivity and Impartiality**

14. Independence from the audited entity and other outside interest groups is indispensable for auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence.
15. Auditors should strive not only to be independent of audited entities and other interested groups, but also to be objective in dealing with the issues and topics under review.
16. It is essential that auditors are independent and impartial, not only in fact but also in appearance.
17. In all matters relating to the audit work, the independence of auditors should not be impaired by personal or external influence. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited entities, projects or programmes; recent previous employment with the audited entity; or personal or financial dealings which might cause conflicts of loyalties or of interests. Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.
18. There is need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with the auditing standards of the Department of the AGP.
19. Auditors should make use of information brought forward by the audited entity and other parties. This information is to be taken into account in the opinions expressed by the auditors in an impartial way. The auditor should also gather information about the views of the audited entity and other parties. However, the auditor's own conclusions should not be affected by such views.

### **Political neutrality**

20. It is important to maintain both the actual and perceived political neutrality of the Department of the AGP. Therefore, it is important that auditors maintain their independence from political influence in order to discharge their audit responsibilities in an impartial way. This is relevant for auditors since Department of the AGP works closely with the legislative authorities, which is empowered by law to consider the reports of the AGP.

## **Conflicts of interest**

21. When auditors are permitted to provide advice or services other than audit to an audited entity, care should be taken that these services do not lead to a conflict of interest. In particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain firmly with the management of the audited entity.
22. Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities that could influence or be perceived as influencing their independence and integrity. Government servants, Conduct Rules, 1964 shall also apply in this regard.
23. Auditors should avoid all relationships with managers and staff in the audited entity and other parties that may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.
24. Auditors should not use their official position for private purposes and should avoid relationships that involve the risk of corruption or may raise doubts about their objectivity and independence.
25. Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Neither should they divulge information that would provide unfair or unreasonable advantage to other individuals or organisations, nor should they use such information as means for harming others.

## **Professional Secrecy**

26. Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the statutory or other identified responsibilities of the Department of the AGP as part of its normal procedures or in accordance with relevant laws.

## **Competence**

27. Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work to enable them to perform their duties competently and with impartiality.
28. Auditors must not undertake work they are not competent to perform.
29. Auditors should know and follow applicable auditing, accounting, and financial management standards, policies, procedures and practices. Likewise, they must possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.

## **Professional Development**

30. Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports.

31. Auditors should use methods and practices of the highest possible quality in their audits. In the conduct of the audit and the issue of reports, auditors have a duty to adhere to basic principles and generally accepted auditing standards.
32. The Department of the AGP has a continuous obligation to update and improve the skills of officers and staff in the discharge of their professional responsibilities.

## **Glossary**

The terms used in this Code of Ethics have the same interpretation or definition as those used in the Auditing Standards.

### **3.4 Protection of the Auditor**

Auditors must have the freedom to carry out audits in a conscientious and thorough manner. There is an onus on the auditor to carry out the audits in a fair, objective and courteous manner (and comply with the Code of Ethics presented in the Section above). In turn, the auditor expects to receive cooperation and courtesy from those being audited.

Any serious attempts to hinder or impede the conduct of the audit should be brought to the attention of the Audit Manager. Any concern of possible intimidation or threat to the auditor must be taken seriously both by the auditor and the management of DAGP. A formal process should be followed wherever the auditor, or the conduct of the audit, is threatened, or a risk of impedance is perceived. This process involves the following steps:

- Whenever the auditor senses any problems in the conduct of the audit, he/she should ensure that all meetings are held with at least two auditors present and that notes of these meetings are clearly documented;
- The auditor should inform his/her supervisor or Audit Manager in writing of any serious incidents or concerns with specific details of what transpired;
- A course of action is proposed by the Audit Manager, if necessary, in consultation with senior management within DAGP;
- Depending on the seriousness of the situation, and the nature of the problem, one or more of the following courses of action should be implemented:
  - \* The Audit Manager raises the issue with the Principal Accounting Officer, or equivalent;
  - \* A letter, signed by the Auditor-General or Deputy Auditor-General, is submitted to the Principal Accounting Officer, or equivalent, and/or sent to the Controller General;
  - \* The composition of the audit team is changed;
  - \* If necessary, after consultation with the Auditor-General, seek a legal opinion or other course of action; and
- Whenever an individual auditor is not satisfied with the action taken, they have the right to report their concern to the Assistant Auditor-General, Personnel, a Deputy Auditor-General or the Auditor-General.