



ETHICS AND INDEPENDENCE

Policy and Procedures

Effective: 20 May 2011

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*Our independent work
promotes good governance,
transparency and
accountability in the use of
public funds*

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WHAT ARE ETHICS?

1. Ethics cover the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector place high ethical demands on the Office of the Auditor General (OAG) and the staff it employs or engages for audit work.

WHAT IS THE RELEVANCE OF ETHICS TO ME?

2. All professional auditors/accountants must comply with the ethical code associated with their membership of their professional body, which should be based on the ethical principles set out in ISA 200 'Objective and general principles governing an audit of financial statements'. The ISA states that 'the auditor should comply with the Code of Ethics for Professional Accountants issued by the International Federation of Accountants.'
3. The ethical principles which govern auditor's professional responsibilities as set out by IFAC's International Ethics Standards Board of Accountants (IESBA) are:
 - integrity;
 - objectivity;
 - professional competence and due care;
 - confidentiality; and
 - professional behaviour.
4. The OAG's Code of Conduct describes the application of Ethical Standards within the OAG. This is based on the IESBA Code and the International Standard of Supreme Audit Institutions (ISSAI 30 – Code of Ethics) issued by INTOSAI. Other aspects of the OAG's policies and procedures in relation to conduct and ethics are also included in the Code of Conduct.

HOW SHOULD ETHICAL PRINCIPLES BE INTERPRETED?

5. Professional Accountancy Bodies generally set out fundamental principles in their codes of ethics and a conceptual framework that requires the professional accountant (auditor) to identify, evaluate and address threats to compliance with the fundamental principles, rather than merely comply with a specific set of rules. The fundamental principles are:
 - Integrity – An auditor should be straightforward and honest in all professional and business relationships.
 - Objectivity – An auditor should not allow bias, conflict of interest or undue influence of others to override professional or business judgements.

- Professional competence and due care – An auditor has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based, on current developments in practice, legislation and techniques. An auditor should act diligently and in accordance with applicable technical and professional standards when providing professional services.
 - Confidentiality – An auditor should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the auditor or third parties.
 - Professional behaviour – An auditor should comply with relevant laws and regulations and should avoid any action that discredits the profession.
6. In ISA 200 paragraph 14, we are required to plan and perform our audits with an attitude of professional scepticism. This is necessary throughout the audit process and means that we must not place excessive reliance on representations from management.
7. If you need further advice on any aspect of ethical requirements please contact your manager, Deputy Auditor General or the Auditor General.

HOW DO I RECORD MY COMPLIANCE WITH ETHICAL PRINCIPLES AND DEMONSTRATE MY INDEPENDENCE?

8. Audit staff should complete the self-assessment form – ‘Ethics and Independence Compliance’ - annually as evidence of compliance with ethical values and principles. The format and content of this form is laid out in Appendix 1 and must be completed at the start of each year’s audit cycle and be submitted by 31 January. The ‘Ethics and Independence Compliance’ form should be submitted to the Auditor General.
9. Whereas objectivity is a personal behavioural characteristic concerning the auditor’s state of mind, independence relates to the circumstances surrounding the audit, including the financial, employment, business and personal relationships between the auditor and the audited body.
10. The ‘Ethics and Independence Compliance’ form should also be updated for any changes that may impact on independence, as and when they arise. Any questions in relation to the ‘Ethics and Independence Compliance’ form should be discussed with your manager.

WHAT WILL HAPPEN WITH MY ETHICS AND INDEPENDENCE COMPLIANCE FORM?

11. All 'Ethics and Independence Compliance' forms will be held securely on each individual's personnel file. The forms will initially be reviewed by the Auditor General. Some information will require clarification and will be discussed confidentially with individual auditors.
12. All records of exceptions or non-compliance with fit and proper procedures will be summarised and reported to the Management Team. Some exceptions or instances of non-compliance may result in further actions as agreed by the Auditor General, such as changing the allocation of audits.
13. Forms will be held in accordance with the records retention schedule.

HOW DO OFFERS OF GIFTS AND HOSPITALITY IMPACT ON MY INDEPENDENCE OR MY ETHICS?

14. Each auditor should comply with the OAG's gifts and hospitality policy as set out in the Code of Conduct and should seek approval from the Auditor General before accepting any gift or offer of hospitality. It is important that at all times we behave and act in a way that ensures we are and are seen to be independent and meeting the ethical requirements set out in standards.
15. All gifts/hospitality received will be recorded in the register of gifts/hospitality held by the Finance and Administration Manager.
16. As a general rule, you must not accept personal gifts although you may keep items of token value, e.g. a pen or diary. In exceptional circumstances it may be appropriate to accept a gift of more than token value, for example where refusal would embarrass the OAG or damage an important relationship. The acceptance of such a gift should be approved by the Auditor General. Such a gift will belong to OAG and is not a personal gift to the recipient. The register of gifts/hospitality kept by the Finance and Administration Manager will record such instances and whether or not acceptance was authorised.
17. You should not accept or offer hospitality connected with your work unless you can answer "yes" to the following questions. "Can I justify this?" and "Can I be sure I will not be subject to legitimate criticism from colleagues or the public?". If you are in any doubt you should consult the Auditor General.
18. In general, modest hospitality may be acceptable providing that it is reasonable in the circumstances e.g. a modest lunch.

19. It is OAG's policy that the acceptance of hospitality should be declared and recorded. You should obtain approval from the Auditor General who will ensure it is recorded in the register. . Please complete the Hospitality and Gift registration form at Appendix 2 in such instances and submit it to the Auditor General and Finance and Administration Manager. To assist staff in deciding what to declare, the following guidance may be useful.
20. Items NOT requiring approval or declaration and recording are:
- Working lunches at audited bodies, partner firms, working groups/committees, boards, professional institutes and other public bodies.
 - Meals and accommodation incidental to the attendance at conferences, seminars and workshops.
21. Items that WOULD require approval and disclosure include:
- Meals in external restaurants, whether working or not.
 - Attendance at functions organised/hosted by professional bodies e.g institute annual dinners.
 - Receptions held by public bodies, partner firms or other parties where there is a widespread range of attendees e.g. gallery viewings.
 - Functions where the focus of the event is an awards ceremony which involves a public sector element.
 - Meals paid for by visiting delegations from other audit offices and Parliaments/Governments.
22. You should not accept offers to attend social or sporting events unless it would be of benefit to OAG or where OAG would expect to be represented. In exceptional circumstances it may be appropriate to accept hospitality in order to avoid embarrassment or offence. You should not accept repeated hospitality from the same source.

APPENDIX 1 - ETHICS AND INDEPENDENCE

COMPLIANCE – SELF ASSESSMENT

All audit staff must self-assess their compliance with ethical principles by completing this form annually. If a member of staff has any questions then they should raise these with their line manager in the first instance. If you cannot answer any of the points in the form positively you should discuss any possible difficulty, in strictest confidence, with your line manager before signing your confirmation of ethical compliance form.

Name:

Official Position:

Office of the Auditor General policies	Yes	No
I have read, understood and agree to comply with the		
• Public Servants Code of Conduct		
• OAG's Code of Conduct		
• OAG's workplace rules		
Confidentiality		
I have read, understood and agree to comply with OAG's guidance on confidentiality.		
Ethics		
I have read, understood and agree to comply with the IFACs Ethical Standards and the OAG's Code of Conduct.		
I have read, understood and agree to abide by the Code of Ethics published by my professional accountancy body.		
I have complied with ethical standards required and will inform the Auditor General of any issues which may impact on compliance during the yearly audit cycle.		
Financial integrity and reliability		
I have or have had paid employment outside OAG which could result in a conflict of interest (e.g. undertaking work for a body audited by OAG – currently or during the last 2 years).		

If the answer is 'yes', please give details.		
Convictions or civil liabilities	Yes	No
<p>I have pleaded guilty to or been found guilty of an offence.</p> <p>If the answer is 'yes', please give details. (court which convicted you, the offence, the penalty imposed and the date of conviction)</p>		
<p>In the last 5 years, I have, in the Cayman Islands or elsewhere, been the subject of a civil action relating to my professional or business activities which has resulted in a finding against me by a court or a settlement being agreed.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have been disqualified by a court from being a director, or from acting in the management or conduct of the affairs of a company</p> <p>If the answer is 'yes', please give details.</p>		

Good reputation and character	Yes	No
<p>I have been investigated about allegations of misconduct or malpractice in connection with my professional activities.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have been the subject of disciplinary procedures by my professional body resulting in a finding against me.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have been refused entry to or excluded from membership of a profession or vocation.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have been dismissed from an office or employment or requested to resign from an office or employment.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have been reprimanded or warned about any future conduct in connection with my profession.</p> <p>If the answer is 'yes', please give details.</p>		

Independence		
<p>I have (or one of my immediate family members have) a direct or indirect financial interest in one or more clients audited by Office of the Auditor General.</p> <p>If the answer is 'yes', please list below the interests held.</p>		
<p>I intend to join or am currently in substantive negotiations with a view to joining an audit client.</p> <p>If the answer is 'yes', please give details.</p> <p>If the answer is 'no', but the position changes during the yearly audit cycle you must inform the Auditor General immediately.</p>		
<p>I have complied with OAG's gifts and hospitality policy as set out in the Code of Conduct and will seek approval from the Auditor General before accepting any gift or offer of hospitality during the yearly audit cycle.</p>		
<p>I act as a trustee or in a management/shadow management or governance role for one or more audit clients or entity that has a direct or indirect financial interest in an audit client.</p> <p>If the answer is 'yes', please give details.</p>		
<p>I have an immediate family close family¹ or other personal connection with one or more audit clients.</p> <p>If the answer is 'yes', please give details.</p>		

¹ Minimum requirement is the definition included IPSAS 20 – Related parties

Professional Development		
I have kept my records of continuing professional development, or equivalent, up to date.		
I have attended the annual technical update for this current audit year.		

Declaration: I certify that the information given on this form is correct and I authorise the Office of the Auditor General to process my information.

Signature:

Date:

APPENDIX 2 - HOSPITALITY OR GIFT REGISTRATION FORM

Please complete all of the sections below. This form should be completed electronically and then emailed to the Auditor General and the Administration and Finance Manager

1. Details of person receiving the gift or hospitality Name:
2. Details of hospitality or gift Describe the hospitality or gift: Date received: Approximate value: If it was a gift what happened to it? Any other information:
3. Details of the Organisation/Person Name of organisation giving hospitality or gift? Name of person giving hospitality or gift (if known)?
4. Please explain why hospitality or gift was accepted
5. Was your gift accepted in accordance with OAG's Policies? Yes <input type="checkbox"/> No <input type="checkbox"/> Have you informed Auditor General of your acceptance of this hospitality or gift? Yes <input type="checkbox"/> No <input type="checkbox"/>
6. Any other comments or relevant information