



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

Code of Ethics and Professional Conduct of the Audit Office of the Republic of Cyprus

July 2023

Contents

Preamble.....	1
1. General Principles	3
1.1 Professional Behaviour.....	3
1.2 Integrity	3
2. Responsibilities to Audit Entities	4
2.1 Professional Competence and Due Care.....	4
2.2 Independence.....	5
2.3 Objectivity	6
2.4 Constructiveness	7
2.5 Confidentiality / Professional secrecy.....	8
2.6 Substantiation	9
3. Responsibilities to the Public	9
4. Responsibilities to the Office	10
4.1 Adherence to regulations.....	10
4.2 Utilisation of working time.....	10
4.3 Responsibility for the good reputation of the Office	10
4.4 Internal communications	11
4.5 Respect for fellow employees.....	11
4.6 Use of Office Equipment	12
4.7 Conflicts of interest	13
4.7.1 <i>General clauses</i>	13
4.7.2 <i>Provision of advice or services</i>	14
4.7.3 <i>Financial arrangements</i>	14
4.7.4 <i>Past Work Positions</i>	14
4.7.5 <i>Contractual arrangements</i>	15
4.7.6 <i>Private occupations</i>	15
4.7.7 <i>Shareholdings</i>	16
4.7.8 <i>Relationships with contractors</i>	17
4.7.9 <i>Additional Guidance</i>	17
4.8 Gifts, Hospitality, Travel and Accommodation	18
4.8.1 <i>General clause</i>	18
4.8.2 <i>Gifts</i>	18
4.8.3 <i>Hospitality</i>	19
4.8.4 <i>Travel and Accommodation</i>	20
5. Corruption.....	21
5.1 Definition.....	21
5.2 Zero tolerance	22
5.3 Obligation to report acts of corruption or bribery to the Auditor General ..	22
6. Other provisions.....	22
APPENDIX I: Examples of Potential Conflicts of Interest	23
APPENDIX II: May I accept gifts or hospitality? A self-assessment checklist.....	25
APPENDIX III: Ethical dilemmas.....	27
APPENDIX IV: Letter for gift donors	33

Preamble

The Audit Office of the Republic of Cyprus ('the Office') has adopted this Code of Ethics and Professional Conduct ("the Code") to encourage and ensure a professional work environment.

This Code reinforces the core values and standards that underpin the Office's work and provides a reference point for decisions and courses of action in carrying out our statutory and professional responsibilities.

The independence, powers and responsibilities of the public sector auditor place high ethical standards on the Auditor General and the staff he employs and engages in audit work. In order to maintain the highest ethical standards, the Office adopts a Code of Ethics based on the INTOSAI Code of Ethics (ISSAI 130).

The Code of Ethics is a comprehensive statement of the values and principles, which should guide the daily work of Officers acting on behalf the Auditor General in the proper discharge of his duties, as per Section VI, Chapter II, Articles 115-117 of the Constitution of the Republic of Cyprus. It also outlines the philosophy, principles and rules regarding ethical and professional conduct within the Office and may be further supplemented by Office Circulars dealing with specific issues in greater detail. The Code defines responsibilities but cannot address all the possible issues which staff members may face. This places a responsibility on individuals to apply common sense and careful judgement.

Office staff members should refer to Office Circulars and other directives, guidelines and manuals in the performance of audits. This Code applies to all those who perform work for the Office or assist the Auditor General in carrying out his functions and terms such as "employees", "staff", "audit officers" and similar expressions should be construed accordingly. The provisions of the Code apply both in the professional activity of all the above persons and in their private life, to the extent provided for in the Public Service Law.

All equipment, identity cards and documents belonging to the Office must also be handed in to the Office immediately upon retirement or on termination of employment. Official documents (whether in hard copy or electronic format),

including working papers, belong to the Office and must not, in any circumstances, be retained by the ex-Office employee.

Additional to this Code, employees of the Office are also bound by the Public Service Law and by the Guide of Conduct and Ethics for Employees in the Public Sector which shall both prevail for those issues for which they set more strict rules compared to the provisions of this Code.

Members of the Institute of Certified Public Accountants of Cyprus (ICPAC) are further bound by the Code of Ethics for the Professional Accountants of the International Federation of Accountants (IFAC). Employees holding other professions are also bound by the Code of Ethics relevant to their profession.

Failure to abide by the provisions of this Code may lead to embarrassment of the Office and will be seriously considered by the Auditor General and be handled according to the Public Service Law (Part VII, Disciplinary Code).

Overall, through the guidance in Chapters 1-4, the Code aims in promoting the following values and behaviour among staff:

I am professional	I am answerable for the quality of my work
I am independent	I avoid any conflict of interests
I am objective	I work without prejudice
I am trustworthy	I work transparently and I keep all agreements made
I show respect	I accept differences in thinking and behaviour
I am a good colleague	I contribute to a pleasant working environment
I work economically	I use public money carefully
I work sustainably	I treat people and the planet conscientiously

1. General Principles

1.1 Professional Behaviour

1.1.1 Office employees have a duty to demonstrate their professional behaviour by striving to achieve the highest standards of behaviour, competence and integrity in their work. In the conduct of the audit and the issue of reports, they have a duty to adhere to the basic requirements and generally accepted auditing standards, as well as comply with the applicable legal framework and avoid any conduct that may discredit the Office.

1.1.2 Staff should not act or omit or behave in a manner that may defame the authority of the Office in general or their position in particular, or which may tend to shake public trust in the Office.

1.1.3 Team leaders should be ready to provide appropriate constructive feedback and support to advance the professional development of members of the team.

1.1.4 It is the policy of the Office to provide an environment conducive to the professional development of all employees.

1.2 Integrity

1.2.1 Audit Office staff sustain public confidence by conducting themselves in everything they do with honesty and integrity and in a manner that meets the highest standards of professional conduct. Staff shall always act reliably, in good faith and in the public interest. Furthermore, employees will not conduct their affairs in a manner which may embarrass the Office by bringing its independence, impartiality and objectivity in disrepute. At the individual level, staff need to be alert to circumstances that might expose their integrity at risk and avoid or disclose them to their supervisors as appropriate. Such circumstances may include, but are not restricted to:

- personal, financial or other interests or relationships that conflict with the interest of the Office

- acceptance of gifts or gratuities (considering the provisions of paragraphs 4.8.2 and 4.8.3 of the Code)
- exercising (let alone abusing) power for personal gains
- access to sensitive and/or confidential information.

2. Responsibilities to Audit Entities

2.1 Professional Competence and Due Care

- 2.1.1 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. Auditors should not be assigned work for the performance of which their managers, having been duly informed by the auditors regarding any limitations, consider that the auditors do not possess the necessary knowledge, qualifications and experience. Auditors should know and follow auditing standards, policies, procedures and practices that are applicable to the type of audit they perform, as defined in the Audit Guidelines in force. Their managers should ensure that the above are followed. Likewise, auditors must possess a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.
- 2.1.2 Auditors should exercise due professional care in conducting and supervising the audit and in preparing related reports. Also, they should use methods and practices of the highest possible quality in their audits. The Office staff shall act in accordance with the requirements of the work assigned to them, carefully, thoroughly and on a timely basis.
- 2.1.3 Auditors have a continuous obligation to update and improve the skills required for the discharge of their professional responsibilities. To this end, the Audit Office will allocate all the necessary resources so that auditors are appropriately trained and/or supervised.

2.1.4 Employees who are members of professional associations which are relevant to their duties in the Office are expected to maintain themselves as members in good standing of such associations during their employment with the Office. Where this Code is stricter than the Code of the Professional Association to which they belong, this Code should prevail.

2.2 Independence

2.2.1 Independence from the audited entity and other outside interest groups is indispensable for audit examiners/officers. This implies that Office staff members should behave in a way that increases or in no way diminishes their independence. It is essential that auditors are independent and impartial, not only in fact but also in appearance.

2.2.2 Office employees have an obligation to identify and evaluate circumstances and relationships that may impair independence, to take appropriate action to eliminate this risk of diminishing independence and to inform the Auditor General accordingly. In all matters relating to the audit work, the independence of auditors should not be impaired by personal or external interests. Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.

2.2.3 Situations that may threaten the objectivity of auditors include, inter alia, the lack of political neutrality, participation in an auditee's management, auditing own work, financial or other personal interests or relationships that bring about undue influence.

2.2.4 In avoiding such circumstances, auditors are expected to:

- Not participate in the auditee management's decision-making. Examples of such instances are recent employment in a management position of the auditee, possessing voting rights in a management body of the auditee, recommending an individual for a key position in the auditee or preparing an auditee's corrective action plan to address deficiencies identified in the audit.

- Not participate in the audit of work in which they were involved, e.g. during recent employment in the auditee or their involvement, in any way, in the work or its audit by another body.
- Inform their supervisor regarding situations where personal interests may affect their independence, so that it may be decided to exclude them from the particular audit team, if deemed necessary. For example, participating as a candidate in the recruitment process of an auditee in the audit of which they are involved, or financial or other interest in such an entity. It is clarified that the submission of employment applications in auditees is not considered as non-compliance with the Code, provided that the provisions of informing management, under the Public Service Regulations (RAA 98/91) and this Code, are complied with. Section 4.7 of this Code provides detailed provisions regarding potential conflicts of interest.
- Inform their supervisor regarding situations where their relationships with management or personnel of the auditee or another entity might affect their independence. Examples of such situations include close or long relationships (including social or family relationships up to the fourth degree) with persons in management or other key positions in such entities in the audit of which they are involved.
- Refuse gifts, gratuities or preferential treatment that may compromise their independence or objectivity, observing the provisions of this Code.
- Inform the Auditor General through the established hierarchy, regarding any pre-existing relevant relationships and situations such as the above that may pose a threat to their independence or objectivity.

2.3 Objectivity

- 2.3.1 Audit examiners should be objective in dealing with the issues and topics under review. Audit examiners should not allow bias, conflict of interest or undue influence of others to override professional or business judgement. They are to act with integrity and exercise objectivity and professional scepticism when forming an opinion on the subject matter under review.

- 2.3.2 In order to maintain the principle of objectivity, work should be planned and carried out and findings reported in an accurate, fair and balanced way. Audit reports should therefore be accurate and objective. Conclusions in opinions and reports should be based exclusively on evidence obtained and assembled in accordance with the Audit Guidelines issued by the Office.
- 2.3.3 Auditors should invite audited bodies to confirm that facts are accurately and fairly stated in draft reports. Audit examiners should then consider in their audit reports, as appropriate, comments and representations made by audit entities, whether these express agreement with the audit findings or otherwise. This provision shall not apply in cases where discussing the draft report with the auditee might cause problems in a criminal investigation process to be initiated on the basis of the audit findings.
- 2.3.4 At the planning phase of an audit, audit examiners should assess the extent of reliance that might be placed on the work of other auditors. Reliance on the work of other auditors or experts is only to be resorted to, if audit examiners are satisfied that the work performed by the other auditors meets the same standards and criteria applicable to the Office's own work. Moreover, all external sources should be appropriately quoted, referenced and acknowledged. It is essential that reports and opinions of the Office be considered accurate and reliable by knowledgeable third parties.
- 2.3.5 Where audit examiners are permitted to provide advice or service, other than audit, to audit entities or to make recommendations as part of an audit, care should be taken that such advice, service or recommendations do not lead to a conflict of interest or include management responsibilities and powers, which must remain firmly with the management of audit entities.

2.4 Constructiveness

- 2.4.1 The Office strives to achieve improvements in general services and operations. In this regard, audit examiners should exercise due care in conducting audits, adopt a constructive attitude to their work relationships and contribute positively in the formulation of related audit reports.

2.5 Confidentiality / Professional secrecy

- 2.5.1 Information that is collected in the course of the work of the Office should be appropriately protected. For the disclosure of such information, the provisions of article 67 of the Public Service Law are applicable.
- 2.5.2 The Office has access to substantial amounts of data, to enable the performance of its statutory audit tasks and to support the effective internal administration of its work. The staff members have a duty to respect this privileged access and to ensure that the information entrusted to them is safeguarded properly. Employees of the Office should not use confidential information, as defined in article 67(1) of the Public Service Law¹, for personal gain or for the benefit of third parties.
- 2.5.3 Moreover, staff members also have a duty to protect information recorded in correspondence, documents and files and data held on computers. This applies to both information obtained from audited bodies and that generated within the Office.
- 2.5.4 In the private life of staff, particular care is needed in maintaining confidentiality within the family, social or other environments, including social media. Furthermore, appropriate measures should be taken by staff for securing electronic data carriers, such as laptops and portable data storage devices, and maintaining the confidentiality of passwords. In particular, such equipment should not be exposed to the risk of theft or copying (for example, in motor vehicles, public spaces, workplaces at times beyond working hours and outside locked areas, etc.). Where it is impracticable to avoid keeping this equipment at the auditor's home, reasonable precautions should be taken to prevent any unauthorized use.
- 2.5.5 The need to comply with the principle of confidentiality continues even after the end of the relationship between an audit examiner/officer and an audited body. Also, upon retirement or moving to other employment, ex-Office

¹ “Any written or oral information received by a civil servant during performance of his/her duties is confidential and its disclosure to any person is prohibited, except for the purposes of the proper performance of his/her duties or at the explicit instruction of the competent authority.”

employees have a continuing duty to respect the confidentiality of information, including personal data security, acquired as a result of their work at the Office 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.

2.6 Substantiation

2.6.1 Employees have a duty to be able to fully defend their audit findings, conclusions and observations.

2.6.2 Employees should ensure that the evidence supporting an audit report is appropriate in quality and quantity to make a convincing case for the conclusions reached.

3. Responsibilities to the Public

3.1 Office staff should prioritise service to public interest, gaining the confidence of the public and demonstrating professional consistency, over interests of audited entities and over all personal interests.

3.2 Work focus should be placed on significant issues with a view to make a positive and measurable impact, according to the Auditor General's instructions. In particular, government accountability is to be promoted regarding the collection and use of public funds and the results attained. This is to be achieved in the following ways:

- Contributing to the improvement of the economy, efficiency, effectiveness and environmental sustainability of government policies, programs and services.
- Striving to ensure that the values of transparency and accountability in government are upheld, while respecting duties of confidentiality under the law.
- Making decisions in the public interest.
- Considering the present and long-term effects that actions may have on people and the sustainability of the environment.

- 3.3 No information or public communication from the Office should be made available to the media or to other parties, without the Auditor General's prior permission.

4. Responsibilities to the Office

4.1 Adherence to regulations

4.1.1 Office staff shall adhere to policies issued by the Office, including this Code, Audit Guidelines and Office Circulars.

4.1.2 Office staff shall observe the conditions of employment established within the Office, in the approved Schemes of Service and by the Public Service Law.

4.2 Utilisation of working time

4.2.1 Office staff utilise their working time to the fullest extent and promptly carry out projects and tasks they have been assigned with, based on the priorities agreed with line managers.

4.3 Responsibility for the good reputation of the Office

4.3.1 It is of fundamental importance that the Office is looked upon with trust, confidence and credibility. The employees promote this by adopting and applying the ethical requirements of this Code.

4.3.2 The conduct of Office staff 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 Office and the quality and validity of their audit work in an unfavourable light and may raise doubts about the reliability and competence of the Office itself.

4.3.3 Office staff shall endeavour to avoid any activity or conduct that might harm the good reputation of the Office; they shall improve the reputation of the Office by creating a professional environment. To this end, they shall also tend to their physical and workspace appearance.

4.3.4 Office staff shall keep their commitments to citizens and audited entities. If they commit to contact or meet a citizen or audited entity official, they should

meet this obligation. In the case where this is not feasible, they timely inform the other party accordingly.

4.4 Internal communications

4.4.1 Office staff shall observe the confidentiality of internal documentation and communications and behave accordingly. Upon retirement or other termination from the Office, they must also return to the Office any official documents, whether in hard copy or electronic format. Such documents are strictly considered as property of the Office.

4.5 Respect for fellow employees

4.5.1 Every person working in the Office has a right to work in an environment free of harassment. Harassment consists of unwanted conduct that creates a hostile and stressful environment in the workplace, resulting in an adverse effect on work performance. Harassment may take many forms, including victimisation, bullying and physical or verbal abuse, as well as less obvious actions, such as ignoring a colleague, showing unwanted attention or making inappropriate personal remarks. It may occur in the Office or at the place of work, within or outside normal working hours. All forms of harassment are unacceptable and will not be tolerated in the Office. Such occurrences will be viewed as professional misconduct and will be dealt with accordingly.

4.5.2 Office staff shall be committed to providing a working environment in which all are treated with dignity and respect and supported to realize their full career potential. Open and honest communication shall be promoted, to create a climate of trust and teamwork. Individual capabilities and diversity shall be valued and learning and work-life balance shall be supported. To this end, employees of the Office shall:

- Demonstrate respect, fairness and courtesy in their dealings with citizens and fellow employees.
- Respect human dignity and the value of every person.
- Treat people with respect and fairness. They shall not discriminate unfairly on the grounds of ethnic or racial origin, disability, religion, age,

sexual orientation, gender, part time/ full time status, marital status or trade union activities.

- Value differences between individuals and the benefit of combining the unique qualities and strengths inherent in a diverse workforce.
- Help to create and maintain a safe and healthy workplace. All staff has a personal responsibility, so far as is reasonably practical, both for their own health and safety at work and for ensuring that they and their colleagues do not put the health and safety of others at risk.
- Work together in a spirit of openness, honesty and transparency, encouraging collaboration and respectful communication.

4.6 Use of Office Equipment

4.6.1 Employees should ensure that they use public assets efficiently and effectively for legitimate business purposes only. This applies to the use of all Office equipment, including telephones, computers (the use of e-mail and the Internet) and photocopiers.

4.6.2 Employees should take care when accessing the Internet from the Office. Information should only be accessed where there is a legitimate Office business need. Access to websites other than those that support the work of the Office is not permitted..

4.6.3 Employees should take particular care when downloading from the Internet. Information/programmes should only be downloaded when the site is considered as totally secure and where there is a legitimate Office business need.

4.6.4 Employees of the Office shall at all times comply with the IT Security Policy issued by the Department of Information Technology Services of the Ministry of Finance and the relevant guidelines.

4.7 Conflicts of interest

4.7.1 General clauses

- 4.7.1.1 Employees of the Office shall not allow any conflict of their personal interests with their duties in the Office; the personal interest includes any unjustified advantages for themselves, their families, other relatives (up to the fourth degree) or friends or related corporate bodies or self-employed persons. They shall not abuse advantages resulting from their legal status in their personal life, especially information received in the performance of their duties and shall not use such information as a means for harming others; they shall not offer or provide any unjustified advantages connected with their position in the Office.
- 4.7.1.2 Auditors should avoid all relationships with managers and staff in the audited entity and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.
- 4.7.1.3 Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption (see section 5 below) or which may raise doubts about their objectivity and independence.
- 4.7.1.4 Before starting an audit, the members of the audit team, the responsible Senior Audit Officer and the responsible Deputy Auditor General/Director of Audit/Senior Principal Auditor as the case may be, complete and sign the relevant "Declaration of Non-Conflict of Interest" or the relevant "Notification of potential conflict of interest" and submit it to the Auditor General together with the Audit Plan for approval.
- 4.7.1.5 Where an employee suspects or perceives the potential for a conflict of interest, he/she shall at once take steps to resolve it in a way which protects the public interest. The onus for disclosing a real or apparent conflict of interest lies with the employee concerned.
- 4.7.1.6 Employees are bound by the Honesty clause contained in the Guide of Conduct and Ethics for Employees in the Public Sector. Furthermore, on commencing employment with the Office, all employees are to ensure that

neither they nor their immediate family members (up to the fourth degree) have any interests that could jeopardize or call into question their judgment or objectivity. The employee is also required to inform the Auditor General should any potential conflict of interest arise at a later date.

4.7.1.7 It is essential that staff avoid any suggestion of nepotism or favouritism in their dealings with colleagues, clients or other contacts. This applies to the whole range of work activities, but the key areas are recruitment, tenders, contracts and staff appraisal. In carrying out public business, including making public appointments, awarding contract or recommending individuals for rewards and benefits, choices should be based purely on merit.

4.7.2 *Provision of advice or services*

4.7.2.1 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.

4.7.3 *Financial arrangements*

4.7.3.1 Employees should have no financial interest that could in any way conflict with their responsibilities, call into question their motives, purpose or concern with the matter in question or cause the Office embarrassment or loss of credibility.

4.7.4 *Past Work Positions*

4.7.4.1 Employees have a duty to inform the Auditor General of any situation where a former position might conceivably bring the propriety of the Office's work into question. In no circumstances shall an officer be assigned the audit of a department or activity for which he was responsible during the year under review.

4.7.5 *Contractual arrangements*

4.7.5.1 Employees involved in contract negotiations have a duty to ensure that contracts entered into by the Office are the result of well-established procedures and are above suspicion with regard to the validity of the criteria used in awarding them.

4.7.5.2 Consultants and firms contractually engaged by the Office are obliged to provide a complete list, to the best of their knowledge, of current and recent contracts undertaken with the audit entity that they are examining, on their own responsibility of informing the Auditor General of any bid, within their knowledge, that they or their firms intend to make in relation to the entity they are auditing or working in, on behalf of the Office.

4.7.6 *Private occupations*

4.7.6.1 Further to the provisions of the Public Service Law, which prohibits civil servants from engaging in any other form of employment except under the permission of the Minister of Finance, Office staff shall not carry out any work or activity which might conflict with the interests of the Office or be inconsistent with their position.

4.7.6.2 Specifically, staff may not, subject to certain exceptions to be approved by the Auditor General, take part in any outside activity which would require their attendance during their normal office hours or which might conflict with the interests of the Office or be inconsistent with their position. Further guidance is set out below, but if staff are in any doubt they should seek approval from the Auditor General in advance of beginning the work or activity.

4.7.6.3 Staff should consult the Auditor General if they are offered payment for work which relates to their official duties or is carried out in official time. Any travel, accommodation or meals provided in connection with speeches or lectures given in an official capacity must be reasonable in the circumstances and for those the Auditor General shall be informed.

4.7.6.4 Staff are permitted to write or contribute to books or articles that are not related to the work of the Office. Their content must not call into question the integrity, objectivity or impartiality of the Office. Such activities should be conducted entirely in the individual's own time and staff should make no reference to their employment by the Office. No fee or payment for such work can be retained by the individual, except under the permission of the Minister of Finance.

4.7.6.5 Staff are permitted to write or contribute to books or articles related to the work of the Office provided that this is approved by the Auditor General.

4.7.6.6 Where staff, their immediate or close family members (up to the fourth degree) or others with whom they have a close personal relationship have business relations with an audited entity, these must be declared, except where they:

- involve the purchase of goods and services from the audit firm or the audited entity in the ordinary course of business and on an arm's length basis and which are not material to either party; or
- are clearly inconsequential to either party.

Similarly staff should also make a declaration where they, their immediate or close family members (up to the fourth degree) or others with whom they have a close personal relationship have any relationships with employees of bodies they audit, which might impinge on their responsibilities and duties as auditors.

4.7.6.7 Instances of paid part time employment or other paid activities outside official hours will be dealt with according to the provisions of the Public Service Law and provided that official work does not suffer and there is no risk of it bringing discredit upon the Office.

4.7.7 *Shareholdings*

4.7.7.1 Staff may hold private investments to the extent permitted by the Public Service Law. They should not, however, hold or deal in shares when they are

in a position to gain information through their position with the Office which might affect the value of such shares. If staff hold shares which might raise a question of possible conflict with the interests or independence of the Office, they should declare the holding immediately to the relevant manager. Examples of where conflicts exist are when an individual:

- knows of a large government contract to be placed with a public company
- has privileged information about a future privatisation
- knows of planned actions which might affect a company's prospects
- has shares in a privatised company and audits that company or the regulator

4.7.7.2 The Auditor General will decide whether the individual's financial interest in a company might exert undue influence on his/her judgement and will determine the appropriate course of action. A record of this decision must be kept by the Office.

4.7.8 *Relationships with contractors*

4.7.8.1 Contracts must be awarded on merit, in fair competition against other potential suppliers and as per public procurement legislation. Staff who have a close or family relationship up to the fourth degree or are in extreme hostility with potential suppliers must report the fact to the Auditor General and must not have any involvement in the assignment of contracts for which such suppliers might bid.

4.7.8.2 Staff must declare any investment interests they hold with suppliers or consultants with whom they might deal. Where conflict might arise, the individual should dispose of his/her investment or ensure that he/she plays no part in awarding the contract or selecting consultants.

4.7.9 *Additional Guidance*

4.7.9.1 Appendix I of this Code includes indicative practical examples of situations where a conflict of interest may arise.

4.8 Gifts, Hospitality, Travel and Accommodation

4.8.1 General clause

4.8.1.1 The Office engages with a wide variety of clients, suppliers and partner bodies in the normal course of its business and staff may be faced with occasions where gifts or hospitality are offered or provided. Offers of gifts, gratuities, benefits, hospitality, entertainment or services should not be accepted where they might place or be seen to place, the recipient under an obligation to the donor or compromise their personal or professional judgement.

4.8.1.2 In addition to the specific provisions in the following paragraphs, Appendix II of this Code provides further practical guidance on how to make a decision on whether to accept or reject an offered gift or hospitality.

4.8.2 Gifts

4.8.2.1 For the acceptance of gifts offered to staff, the provisions of article 69 of the Public Service Law² are applicable. Staff may accept gifts in the form of: office supplies of symbolic value (e.g. place mats or diaries), items provided at conferences or related events in Cyprus or abroad (e.g. pens and files) and occasional thank-you items (eg ordinary chocolates or individual bottles of wine). Such items need not be recorded. Other significant gifts or gifts valued at more than €20 cannot be accepted. However, their offer is recorded in the Gifts Register of the Office (in compliance with the provisions of the relevant General Directive 21) and they are either returned to the entity that offered them or, in the event that this is not possible or likely to cause offense, they

² "(1) No civil servant shall directly or indirectly receive or give any gifts consisting of money, other goods, free travel or other personal benefits, except for ordinary gifts from or to personal friends: It is understood that, upon leaving the service, a civil servant may receive a gift in accordance with the prescribed manner:

It is further understood that this provision may be relaxed by the Council of Ministers in specified cases or in any special case where the Council of Ministers considers that it would be undesirable or contrary to the public interest to reject the gift.

(2) In the event that refusing a gift would be contrary to the public interest, the civil servant may accept the gift, but immediately report this fact to the Head of his Department and the gift is dealt with as prescribed.

(3) The civil servant reports to the Head of his Department the offer of a gift made to him in violation of the provisions of this article and the gift is dealt with as prescribed.

(4) If a gift, monetary or otherwise, is offered or given to an employee for any service provided or to be provided by him in his official capacity, the employee must immediately inform the Head of his Department."

are delivered to the Registry that makes arrangements for their donation for charitable purposes or other use under the instructions of the Auditor General. In case of any doubt regarding the value of a gift, the Auditor General is duly informed.

4.8.2.2 Gifts clearly intended for the Office and not the employee, should be forwarded to the Office and will be considered as part of its assets.

4.8.2.3 In every case of receiving a gift, the attached letter (Appendix IV) will be sent, which will be completed and modified accordingly by the employee who received the gift. A copy of it will also be sent to the Registry.

4.8.3 Hospitality

4.8.3.1 Staff are permitted to accept hospitality which is provided in the normal course of business and could reasonably be reciprocated by the Office. This includes working lunches or dinners, provided these cover a business agenda. The standard of hospitality should be no more than that which might reasonably be offered by the Office in return.

4.8.3.2 A key principle of accepting such hospitality is that there should be a balance of hospitality received and hospitality given. Staff should, therefore, be careful not to accept hospitality where an appropriate balance is not maintained.

4.8.3.3 Staff may also accept invitations to events where they are representing the Office in an official or professional capacity. In considering whether an invitation should be accepted account should be taken of the level of attendance of Office colleagues to ensure that their attendance is reasonable in the circumstances. Events which include some form of entertainment can be accepted providing the entertainment forms an intrinsic part of the event.

4.8.3.4 Staff must not accept any invitation to any event or offer of corporate hospitality where attendance would normally be subject to payment of a fee. This includes invitations to art exhibitions, sporting or cultural events, charity dinners and hotel accommodation.

4.8.3.5 It is understood that in cases of acceptance or provision of hospitality, the provisions of General Directive 21 are applied, for recording the hospitality in the Hospitality Register of the Office.

4.8.4 *Travel and Accommodation*

4.8.4.1 Staff have a responsibility to ensure that any travel or accommodation for business purposes is reasonable in the circumstances and would not expose the individual or the Office to public criticism. Other than in specific defined circumstances (e.g. group arrangements made through an organising body for international meetings), all travel and accommodation bookings must be made after obtaining a reasonable, under the circumstances, number of quotes from travel agencies (usually 3).

4.8.4.2 Staff and their line managers will be responsible for judging the travel and accommodation appropriate to the particular business need, but should be mindful at all times of the need to balance issues such as safety and security with economy.

4.8.4.3 All staff are expected to travel in economy class. Any variation to this requires the prior approval of the Auditor General and should be adequate for the purpose and appear reasonable to an informed external commentator.

4.8.4.4 Where staff accept travel and accommodation arranged by their hosts (for example international bodies), they should review the itinerary in advance to ensure that the standards offered are compatible with Office standards. Where the itinerary indicates that the standard offered is significantly different to that appropriate under Office rules and there is a suitable alternative, staff should consider declining the offer and making their own arrangements.

4.8.4.5 Subject to considerations of practicability and security, the Office places no restrictions on the freedom of staff to be accompanied by partners at their own expense, provided no extra cost falls to the Office. The Office does not, however, recognise any representational or other reason for partner-accompanied travel at public expense and it accepts no liability for loss or

damage suffered by any accompanying persons not required for Office business, unless such liabilities have been explicitly accepted (for example, where there is a long term residential commitment). Partners travel entirely at their own risk.

4.8.4.6 Staff must obtain prior approval from the Auditor General for all international travel and associated work programmes. Line managers should be informed of all the relevant details of a trip before it is approved, including if the member of staff will be accompanied by their partner or if there are plans to extend the trip beyond the time necessary for the visit's purpose. Line managers should have regard to this information, as to the destination, duration and intensity of the proposed programme, in assessing the business case and motivation for the proposed travel. The overriding need is to protect the good name of the Office; and a key test of decisions by authorising managers will be that criticism of the Office is avoided.

5. Corruption

5.1 Definition

A widely accepted definition of corruption is the abuse of power for private gain. In the context of the work of the Office, indicative examples of possible corruption incidents are listed below:

(i) Acceptance or payment of illegal facilitation payments by an employee of the Office, with the aim of securing preferential treatment for himself/herself or a third person.

(ii) Accepting or providing gifts, hospitality, travel and/or accommodation (see section 4.8 of this Code) in exchange for facilities or preferential treatment for himself/herself or any person.

(iii) Interference, by a member of the staff, in the procedures of the Office or another public sector body, without the illegal acceptance/payment of a sum of money or other benefit, with the aim of the private benefit of himself/herself or another person.

(iv) Use of confidential information, as defined in article 67(1) of the Public Service Law³, for personal benefit (financial or other) or for the benefit of third parties.

5.2 Zero tolerance

It is made clear that no incident of corruption is accepted in the Audit Office. Such incidents will be treated by the Auditor General with due seriousness and confidentiality and will be dealt with in accordance with the Public Service Law (Part VII, Disciplinary Code).

5.3 Obligation to report acts of corruption or bribery to the Auditor General

According to the provisions of article 69A of the Public Service Law, an employee of the Audit Office, who, in the performance of his/her duties, finds, or has reasonable cause to believe, that an act of corruption or bribery has been committed by another employee in the performance of his/her duties, must report it without delay to the Auditor General, providing all the necessary information to support his/her claim.

6. Other provisions

6.1 In cases where doubts arise as to any provision of this Code, staff shall resort to the Auditor General, through the hierarchy, to resolve the issue and receive relevant guidance.

6.2 Additional guidance on handling situations where ethical dilemmas arise is included in Appendix III of this Code.

³ “Any written or oral information that comes to the knowledge of a civil servant in the performance of his duties is confidential and its disclosure to any person is prohibited, except for the performance of official duties or following an express order of the competent authority.”

APPENDIX I: Examples of potential conflicts of interest

In the indicative examples below, as well as in other similar cases, the line manager is informed in writing through the completion of the "Notification of potential conflict of interest" form referred to in article 4.7.1.4 of this Code.

<p>1. I have been assigned the audit of a maritime infrastructure project in a commercial harbour. This project was carried out by a private company for which I worked one year ago. The company's Managing Director is no longer the same, but some of my former colleagues, with whom I maintain a close friendship, are now shareholders in the company.</p>
<p>2. My husband/wife's uncle owns a milk farm that benefits from public subsidies. One of my tasks is the audit this farm, among other farms. Even if I have never met this third-degree relative of my husband/wife's, I can foresee that there may be a potential family conflict because I might need to report some errors in the application of the funding scheme.</p>
<p>3. I am an active supporter of a political party that has won the recent elections. I am assigned the audit of a state department whose newly-appointed director was a political associate of mine. I do not want it to be thought that my work as an auditor in this case can be cast into doubt by my political beliefs.</p>
<p>4. I have just been employed by the Audit Office and am assigned the audit of the state agency that employed me one year ago.</p>
<p>5. I am currently working in the Section responsible for auditing international cooperation for development aid. I have been invited to sit on the management board of an NGO which receives a substantial amount of this aid.</p>
<p>6. I have been assigned to a team responsible for auditing a state agency in which my brother is working as a clerical assistant. I check with him and conclude that he will not have any role in the audit.</p>
<p>7. I have been assigned to a team responsible for auditing a state enterprise; my sister chairs the enterprise's governing board.</p>
<p>8. I have been assigned to a team in charge of auditing a state agency. A close friend of mine is head of a department in this agency. I inform my superior. We discuss the matter and conclude that the audit should not normally involve the department headed by my friend.</p>
<p>9. I have been assigned to a team in charge of auditing the travel expenses of the Members of the Parliament. During the year under review, before joining the Office, I was responsible for authorizing travel expenses at the Parliament.</p>

<p>10. I have been assigned to a team in charge of auditing the implementation of an environment programme. In the previous year, before joining the Office, I worked as a financial officer in the District Office of the Department of Environment.</p>
<p>11. I am auditing a private company receiving state funds. The Director of the company offers me a position that interests me.</p>
<p>12. I am auditing the implementation of a public funding programme by a large Municipality. During the wrap-up meeting with the responsible authorities, I am approached by the Director of the programme, who offers me a well-paid advisory position in the Municipality.</p>

Adapted from:

How to Implement ISSAI 30 (INTOSAI Code of Ethics) - Guidance for Supreme Audit Institutions.

APPENDIX II: May I accept gifts or hospitality? A self-assessment checklist.

<p>1. Do the relevant legislation and procedures permit the acceptance of gifts or hospitality under certain conditions?</p>	<p><i>Provisions on the acceptance of gifts and hospitality are in the following documents:</i></p> <ul style="list-style-type: none"> • Code of Ethics and Professional Conduct of the Audit Office • General Guideline no.21 • The Public Service Law (art.69)
<p>2. Does the gift or hospitality comply with those conditions?</p>	<p><i>Conditions might refer to:</i></p> <ul style="list-style-type: none"> • The maximum value (less than €20) • The nature of the gift or hospitality (e.g. covered by the Convention on International Trade of Endangered Species, like an object made of a protected animal skin or shell; a counterfeit object; an invitation to an illegal or 'inappropriate' place, like a gambling house). • The person or entity that offers the gift or hospitality (e.g. a gift or hospitality offered by an auditee or by a supplier or potential supplier of the Office). • Whether the gift or hospitality is offered to all staff involved in the audit. • Any other condition established by applicable rules.
<p>3. If I accept the gift or hospitality, would I feel uncomfortable, under influence or unduly inclined to adopt a different attitude or opinion?</p>	<p><i>Elements to consider:</i></p> <ul style="list-style-type: none"> • Does the gift or hospitality comply with the conditions set out in the rules, and is it proportionate and appropriate? • Are the gifts or acts of hospitality over-frequent? • Is there any real or perceived actual or potential conflict of interest?
<p>4. How would other people react when they know that I have accepted the gift or hospitality?</p>	<p><i>To assess the reaction of others, I consider the following:</i></p> <ul style="list-style-type: none"> • I am setting the standard – do I want everyone to act the same way in the same situation? • I put myself in the shoes of those affected by my decision.

	<ul style="list-style-type: none"> • Accepting the gift or hospitality might not be seen as detrimental to the interests of the Office, in any case.
5. I consult other people.	In case of any doubt, I do not hesitate to consult my superiors or colleagues, or the Ethics Committee of the Office.
6. I display the information openly. I declare the gift or the hospitality accepted or rejected.	I inform my superiors and follow the Office's rules on declaring and registering gifts and hospitality (General Guideline no. 21). This concerns gifts and hospitality offered, whether they are accepted or not.

Adapted from:

How to Implement ISSAI 30 (INTOSAI Code of Ethics) - Guidance for Supreme Audit Institutions.

APPENDIX III: Ethical dilemmas

An ethical dilemma is a right-versus-right choice. It is a situation in which a member of staff faces a decision where two or more solutions are possible and legal, and each of which will have its consequences.

In their professional path, staff might also face situations where they have doubts on the right course of action, perhaps due to a conflict with their own moral values or due to the existence of several possible interpretations of the applicable rule - even circumstances where what is legal is not necessarily ethical.

This Appendix contains a model for individuals to address ethical dilemmas and records indicative examples of potential ethical dilemmas.

A model for auditors to address ethical dilemmas - checklist.

<p>1. Analyse the problem to assess whether you are facing a right-versus-right situation (a real dilemma) and not a right-versus-wrong situation (a compliance problem).</p> <ul style="list-style-type: none"> • Is one option against a legal requirement or contrary to ethics? (If YES, you are not facing an ethical dilemma) • Two courses of action are possible but you cannot do both; two desirable values are in conflict (If this is the case, you are facing an ethical dilemma). 	<p><i>Elements to consider</i></p> <ul style="list-style-type: none"> • The right-versus-wrong test. • The compliance test: “Do I infringe any law or established rules/principles in the Office?” • The mirror test: “can I live with the decision I'm taking?” • The publicity test: “Am I willing to read about this in the newspaper? Tell my family?” • The signature test: “Do I take public responsibility for this?” • The <i>kantian</i> test: “What if everybody acted like me?” • Ethical dilemma paradigms • Truth versus loyalty • Honesty & integrity versus commitment or promise • Myself versus the others; us versus them; smaller versus larger group. • Short term versus long term • Now versus then; immediate needs versus future goals • Justice versus mercy; fairness even-handed application of rules versus compassion and empathy
--	--

<p>2. Evaluate the situation and provide your own solution based on the values at stake, assess the consequences.</p> <ul style="list-style-type: none"> • Do I have all elements to solve the dilemma? • What is my solution to the dilemma? 	<p>Resolution methods</p> <ul style="list-style-type: none"> • END-BASED: the greatest good for the largest number (it includes a small amount of bad for a few people). • RULE-BASED: I'm setting the standard – I want everyone to act the same way in the same situation. • CARE-BASED: I put myself in the shoes of those affected by my decision.
<p>3. Check whether other persons involved (hierarchy, colleagues) agree with the options you identify or see alternatives.</p>	<p>Questions to reply</p> <ul style="list-style-type: none"> • Who is involved? • What do they think? • Are there opposing views?
<p>4. Evaluate the real impact of your action and any feedback.</p>	<p>Final considerations</p> <ul style="list-style-type: none"> • Take a course of action on the best option identified. • Evaluate the real impact of your action and any feedback, as this experience can serve as a precedent or a good point of departure when facing similar situations in the future.

Sources:

Fabrice Mercade, Ethical dilemmas and how to address them (EUROSAI TFAE conference, Lisbon 2014)

Rushworth KIDDER "How good people make tough choices: Resolving the dilemmas of ethical living"

Paolo Giusta: "Ethics Matters – Practical micro-ethics for civil servants of the European Union". European Court of Auditors, 2006.

United Nations Ethics Office; <http://www.un.org/en/ethics/index.shtml>;

European Commission, Practical Guide to staff Ethics and Conduct

(http://ec.europa.eu/civil_service/admin/ethic/index_en.htm)

Adapted from:

How to Implement ISSAI 30 (INTOSAI Code of Ethics) - Guidance for Supreme Audit Institutions.

Example of ethical dilemmas: What should I do?

Dilemma	What should I do?
<p>1. For the last couple of years, I have performed the annual financial audit of the same auditee. By now, I have developed friendly relations with the chief accountant. On my birthday, which he/she knows by now, due to our friendship, the chief accountant offers me a small gift. What should I do?</p>	<p>As long as the value of the gift is not estimated to exceed €20, it does not need to be reported. Otherwise, I politely inform the head of accounting of the audited entity of my commitment to comply with the Code of Ethics and Professional Conduct. I accept the gift if it is judged that any rejection of it will cause offense and in any case the relevant form for updating the Gifts Registry is completed (General Directive no. 21).</p>
<p>2. I am carrying out an audit in an entity which has been audited before by my colleagues. I discover a significant error, which, according to the audit evidence, has already been present for several years and was not detected during the previous audits. Disclosing the error would show that the earlier audits by the Office were not thorough enough but, if I conceal it, it will persist. What should I do?</p>	<p>I disclose the error and my concern to my immediate supervisor. The error should be revealed and corrected.</p>
<p>3. I take part in a coordinated audit, which will be carried out on the basis of the same methodology in a number of entities. The audit procedures include testing the use of a new IT tool. So far, I have not used this tool in practice and it was not possible for me to receive formal training in time. Besides, I have some doubts as to whether these computer-based methods really improve audit quality. I think that my long experience is a better guarantee for that. What should I do?</p>	<p>Since this is an audit where uniformity of approach is important (as it is a coordinated audit), I report my concerns about my skills level in using the tool to my supervisor so that appropriate arrangements can be made for me to be trained or the specific part of the audit to be carried out by another colleague.</p>
<p>4. At the end of an audit, I realize that I focused so much on one important issue that you missed a couple of other important questions in the audit programme. There is no time to conduct analyses in accordance with the methodology specified for them. What should I do?</p>	<p>I ensure that the audit working papers correctly reflect the work actually performed. My supervisor will determine whether to provide additional time for the audit steps that were not performed, based on available resources and the relative gravity of the matter.</p>

Dilemma	What should I do?
<p>5. My colleague wants to spend his/her savings on the purchase of land to build his/her home there. During an audit, I discover that the mayor is currently conducting confidential preliminary negotiations with a potential investor for the construction of a municipal garbage sorting station on the land adjacent to the location chosen by my colleague. What should I do?</p>	<p>I can report my concerns to the colleague in general, but without reference to the confidential information I have obtained in the course of my duties.</p>
<p>6. A member of the audit team I lead is very competent at work and produces good quality audits but he/she is often impolite towards employees of auditees, uses offensive language and has a quick temper, threatens and shouts at them and sometimes throws documents. He/she is very sensitive to criticism of any kind and asking him/her to refrain from this sort of behaviour may reduce the quality of his/her contribution in future audits. What should I do?</p>	<p>I try to draw his/her attention and explain to him/her that as representatives of the Service we should treat the auditees with courtesy. If the matter is not resolved, I report it in confidence to the Auditor General for handling of the matter.</p>
<p>7. I have to give an opinion on an audit programme developed by another unit. I have three working days for this task. A member of the team responsible for the audit urges me to prepare my comments by tomorrow because they are already late with the programme, and if the audit is not started immediately, its entire timeline will be disrupted. I have other work to do and doubt whether I can really familiarise myself with the material in such a short time. What should I do?</p>	<p>I report my exact concerns to my supervisor and the unit involved, avoiding submitting feedback that I feel is incomplete or incorrect.</p>
<p>8. I find out by coincidence that my colleague, whose work has never been a subject of criticism, is copying entire books from the library on an Office photocopying machine for personal use. What should I do?</p>	<p>Violation of the Code in relation to the use of office equipment should be reported (even anonymously) to the Ethics Committee.</p>

Dilemma	What should I do?
<p>9. I notice that contracts for cleaning the premises of an audited entity have been granted to the same company for several years. Analysis of information on the website of the company shows that the surname of the owner is the same as the name of the employee of the entity in charge of building maintenance, who has been working at the entity for many years. Upon being asked, he states that the company was founded by his son who, after a long period of unemployment, received a grant from the Ministry of Labour and Social Insurance to start the company with which he now supports his family (a wife and two children). If it is disclosed that tendering for the cleaning contracts was not performed in accordance with the regulations, the father will be dismissed and the son's company will be in danger of going bankrupt. The cleaning costs are in line with market rates and the contracts only represent a small part of the total budget of the entity. What should I do?</p>	<p>I report my findings and concerns to my supervisor. If deemed necessary, the issue is forwarded to higher management levels in order to consider the relative importance of the matter and its further handling.</p>
<p>10. I go with a colleague who is an avid football fan and other friends to a match of his favourite team. Prior to the match, he consumes alcohol. During the match, my colleague enters into an argument with an intoxicated supporter of the other team, who has been improperly accosting women in the public. The argument becomes heated, blows are exchanged and the stadium stewards call the police. My colleague shows his Office ID to the police officers and argues that his opponent should be arrested as his improper behaviour was the cause of the fight, while he was only trying to protect the ladies. What should I do?</p>	<p>I try to intervene and explain to the colleague and the officers that the auditor's status is not related to this particular incident. If he does not comply, I report it confidentially to the Auditor General.</p>

Dilemma	What should I do?
<p>11. The auditee's office is in a remote industrial area with bad public transport and no canteen, and there is no café or restaurant nearby. The auditee offers me free transportation to my home and daily coffee and snacks. What should I do?</p>	<p>I politely decline the audited entity's offer, explaining my commitment to adhere to the Code of Ethics and Professional Conduct. In the event of a prolonged audit, I express my concerns to my direct supervisor and, if deemed appropriate, the issue is forwarded to the hierarchy in order to find a solution (e.g. conducting the audit remotely or providing an official vehicle for travel purposes) .</p>

Adapted from:

How to Implement ISSAI 30 (INTOSAI Code of Ethics) - Guidance for Supreme Audit Institutions.

APPENDIX IV: Letter for gift donors



AUDIT
OFFICE



REPUBLIC
OF CYPRUS

File no.

Tel. no.

..... 20XX

..... [donor],

Gifts offered to the Audit Office or to members of its staff.

Regarding the above matter, we would like to thank you for offering
[brief description of gift] to the Office / to a member of the staff of the Office
[delete as appropriate] on *[date]*.

As per the policy applied by the Office, based on the provisions of article 69 of the Public Service Law on the acceptance of gifts and in accordance with the Code of Ethics and Professional Conduct of the Office, your gift has been added to the assets register of the Office / cannot be accepted and is hereby returned to you / will be offered to charity / will be utilised for..... *[delete accordingly and fill in the other purpose for which the gift will be used, if applicable]*.

(full name)
for the Auditor General
of the Republic