Pursuant to the Article 14, paragraph 8 of the Law on State Audit Institution (‘’Official Gazette of the Republic of Serbia’’ no. 101/2005 and 54/2007) the Council of the State Audit Institution on its session held on \_\_\_\_\_\_\_\_\_\_\_\_ 2009, adopted

***THE CODE OF ETHICS FOR THE AUDITORS AND OTHER EMPLOYEES***

***IN THE STATE AUDIT INSTITUTION***

 **Introduction**

***Concept and Purpose of the Code of Ethics***

1. The Code of Ethics for the auditors in the State Audit Institution (hereinafter: Code) regulates into more details ethical principles, generally accepted rules of conduct, and professional standards that should be followed by the auditors and other employees in the State Audit Institution (hereinafter: auditors) when undertaking their assignments.
2. External experts, engaged by the State Audit Institution when exercising activities from its competence, are obliged to observe this Code
3. The auditors and other employees shall follow and apply the Law on State Audit Institution the international audit standards (INTOSAI), the INTOSAI Code of Ethics for the public sector auditors, and this Code.

**ETHICAL PRINCIPLES, GENERALLY ACCEPTED CODE OF CONDUCT**

 **AND PROFESSIONAL STANDARDS**

1. The auditors and other employees shall observe the concepts of the code of professional ethics, rules of conduct and professional standards, set by this Code, namely: integrity, honesty, independence, objectivity, and impartiality, political neutrality, prevention of conflict of interest, professional secrecy, competence and professional conduct.

**1. Integrity**

1. Integrity principle is the core value of the Code. The principle of integrity obliges all the auditors and other employees to act correctly and honestly in professional and business relations which implies conduct that contributes to sustenance and inspiration of the public confidence in integrity, impartiality, and efficiency of the Institution.
2. Integrity also implies fair conduct implying that the auditors should act in the manner advocating cooperation and good relations among the auditors and other employees in the industry that contribute to respect and trust the Institution enjoys with the auditees and wider public.

**2. Honesty**

1. Auditors have a duty to adhere to high standards of conduct in the course of their work and in their relationships with the staff of auditees. In order to sustain public confidence, the conduct of auditors should act honestly and sincerely and their conduct should be above suspicion and reproach.
2. Auditors shall adhere to the audit procedures and ethical norms.

**3. Independence, Objectivity, and Impartiality**

1. Independence implies independence in auditors’ way of thinking and behaving in relation to the auditees and other external interest groups. It is essential that auditors are independent and impartial, which means that the auditors should behave in a way that increases, and in no way diminishes, their independence.
2. Independence requires the way of thinking that enables expressing conclusions without influence that question professional judgment, which enables auditor to act independently, with objective and professional distrust.
3. 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. Auditors have an obligation to inform their direct superior about every threat, external pressure and influence on them, in order to fully meet the principle of independence.
4. Auditors and other employees should not allow that impartiality, conflict of interest, or excessive influence of others to overcome professional and business judgment.
5. There is a need for objectivity and impartiality in all work conducted by auditors, so that their reports, which should be accurate and objective. Conclusions, opinions and reports should be prepared impartially and be based exclusively on evidence obtained and assembled in accordance with the auditing standards.

**Political Neutrality**

1. It is very important for the Institution to maintain political neutrality since the Institution cooperates with executive and legislative bodies authorized for considering its reports in accordance with the Law.
2. The auditors and other employees are obliged to maintain political neutrality in their activities and maintain political neutrality of the State Audit Institution when performing their duties.

**Prevention of Conflict of Interest**

1. Auditors and other employees in public practice shall take reasonable steps in order to identify the cases that can cause conflict of interest.
2. Auditors and other employees shall protect their independence and avoid possible conflicts of interest by refusing to receive any gift or service or other benefit for themselves or other persons when performing their audit activity.
3. Auditors and other employees shall not use their official position for private purposes and shall avoid relations that might include risk of corruption or that could cause doubt in their objectivity and independence.

 6. ***Professional Secrecy***

1. Professional secrecy obliges auditors and other employees to keep secrecy of information obtained in the auditing process in accordance with legal regulations, acts of the Institutions, and delegated mandate.
2. Auditors and other employees should not disclose information and data obtained in the auditing process to third parties, except if there is legal or professional right or obligation to disclose them.
3. Auditors and other employees shall ensure that information and data obtained are not abused. Auditors shall keep secrecy of information and data representing professional secret acquired during the audit process as evidence, in compliance with the law.

 **7. Competence and *Professional Conduct***

1. Auditors and other employees 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 impartially.
2. Auditors and other employees must not undertake work they are not competent to perform.
3. Auditors and other employees 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.
4. Auditors shall follow the principle of professional capability maintenance which implies continuing professional education. Auditors shall transfer knowledge acquired through professional education to their associates unobtrusively and patiently, and especially to provide assistance and support during work and training of newly appointed auditors and trainees.

 **7. *Final Provisions***

1. It is auditors’ and other employees’ obligation to behave in accordance with the Code.
2. Auditors and other employees who do not adhere to the rules of the Code shall be held responsible in accordance with the valid regulations.
3. The Council of the State Audit Institution shall be in charge of interpretation of the Code.
4. This Code shall come into effect on the eighth day from the date of its publishing in the “RS Official Gazette”.

 **COUNCIL PRESIDENT**

Radoslav Sretenović