
SECTION E-1

INDEPENDENCE AND CONFIDENTIALITY

Independence

The Institute of Internal Auditors (IIA) defines Internal Auditing as: “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

According to the International Standards for the Professional Practice of Internal Auditing (*Standards*), the internal audit activity must be independent, and internal auditors must be objective in performing their work. The IIA’s interpretation of independence is: “Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organizational levels.” The IIA’s interpretation of objectivity is: “Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.”

In order for the desired results to be realized, internal auditing employees must perform their work fully and objectively, that is, be independent of the activities they audit. They must have no authority over or responsibility for the activities they audit.

In order to maintain independence and objectivity, staff members will not be assigned audits involving the following instances:

1. Any situation in which a conflict of interest or bias is present or may reasonably be inferred.
2. Any situation that involves a member of the auditor's immediate family.
3. Any activity that the auditor previously performed or supervised unless a reasonable period of time has elapsed.

If through your actions or state of mind your audit objectivity is or can be inferred to be impaired, notify the Chief Audit Executive or Director immediately.

Confidentiality

Definition: Confidential information is information, of a proprietary or sensitive nature, about the University of Houston System, its students, suppliers, and employees.

According to the IIA's Code of Ethics, internal auditors are expected to respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. Additionally, internal auditors shall be prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

Policy: Confidential information acquired by an auditor through his or her employment is considered to be privileged and must be held in strictest confidence. It is to be used solely for University purposes and not as a basis for personal gain by the auditor. Confidential information is transmitted only to those persons who need the information to discharge their duties as University employees or auditors. Internal audit workpapers and draft audit reports are not required to be disclosed when requested by the public (re Texas Government Code, Section 552.116). Any other dissemination of workpaper or correspondence contents must be approved by the Chief Audit Executive. Any dissemination without authorization will be considered serious misconduct and could result in suspension or dismissal.

Employee Certification

Each employee of the Internal Auditing Department must sign a Conflict of Interest/Confidentiality Statement at the beginning of each fiscal year. (See attached [example](#))

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

**CODE OF ETHICS & INDEPENDENCE AND CONFIDENTIALITY STATEMENTS
FOR FY 20XX**

This form should be completed by each new employee upon hire and annually in September by each current employee. **Please fill in and sign the appropriate statement.**

I have read and understand the attached Institute of Internal Auditors Code of Ethics.

Employee Signature: _____ Date: _____

I do not have any official, financial, or personal relationships with any University of Houston employees or anyone who does business with UH which may impair my judgment or appear to impair my judgment as an auditor, except as indicated below.

Employee Signature: _____ Date: _____

The following relationships/interests may impair or appear to impair my judgment as an auditor:

During the past two years, I have performed or supervised the following activities (other than internal auditing) within the University of Houston System:

I have read and understand the department's policy on independence and confidentiality.

Employee Signature: _____ Date: _____