

# Code of Ethics Implementation Guides



International Professional  
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# Table of Contents

IIA Code of Ethics Principle 1: Integrity.....	1
IIA Code of Ethics Principle 2: Objectivity.....	6
IIA Code of Ethics Principle 3: Confidentiality.....	11
IIA Code of Ethics Principle 4: Competency .....	16



International Professional  
Practices Framework

# Implementation Guide

## Code of Ethics: Integrity

### IIA Code of Ethics Principle 1: Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

#### Rules of Conduct

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

### Getting Started

The *International Standards for the Professional Practice of Internal Auditing* require conformance with the Code of Ethics, comprising four principles. Each principle is accompanied by rules of conduct that internal auditors must implement to properly demonstrate the principle. This implementation guide is intended to demonstrate how to achieve conformance with the principle of integrity.

Integrity is the foundation of the other three principles in The IIA's Code of Ethics; objectivity, confidentiality, and competency all depend on integrity. Integrity also underpins the *Standards*. The rules of conduct related to each Code of Ethics principle help internal auditors translate the principle into practical behavioral norms.

Internal auditors including the chief audit executive (CAE) may find it helpful to regularly review the IPPF to understand the expectations related to “diligence” and “responsibility” as described in Rule 1.1. Several standards and implementation guides describe the concepts and related requirements.

To implement Rules 1.2 and 1.3, internal auditors must become familiar with the laws and regulations relevant to the industry and jurisdictions within which the organization operates. To implement Rule 1.4, internal auditors start by identifying the organization’s mission, objectives, and ethical values, usually found in annual strategic plans, employee handbooks, and/or policy manuals.

## Considerations for Implementation

### Chief Audit Executive

According to Standard 2000 – Managing the Internal Audit Activity, the CAE must ensure that the internal audit activity achieves the purpose and fulfills the responsibility included in the internal audit charter and that its individual members conform with the Code of Ethics and the *Standards*. As the leader of the internal audit activity, the CAE should cultivate a culture of integrity by acting with integrity and adhering to the Code of Ethics.

The CAE also establishes policies and procedures to guide the internal audit activity, according to Standard 2040. When these are implemented, the internal audit activity is able to show diligence and responsibility. The CAE may bring about awareness and accountability by requiring internal auditors to acknowledge in writing that they have reviewed and understood such policies and procedures. Typically, the organization collects signed acknowledgements of its code of conduct and ethics policy from all employees, and the CAE may require internal auditors to acknowledge in writing their agreement to follow The IIA’s Code of Ethics and any additional ethics-related policies specific to the internal audit activity, such as disclosures of conflicts of interest. The organization and the CAE may also emphasize the importance of integrity by providing training that demonstrates integrity and other ethical principles in action; for example, discussing situations that require making ethical choices.

Effectively managing the internal audit activity includes proper engagement supervision and periodic reviews of internal auditors’ performance, which provide opportunities to discuss how integrity may be challenged and applied in real situations. For example, supervision includes the approval of work programs before fieldwork begins and a review of the engagement workpapers and results. These are chances for supervisors to discuss any situations that may call integrity into question and to guide internal auditors. In addition, the CAE should maintain a working environment in which internal auditors feel supported when expressing legitimate, evidence-based observations, conclusions, and opinions, even if they are not favorable.

## Individual Internal Auditors

Integrity may be considered primarily a personal attribute of individual internal auditors, making it difficult to measure, enforce, or guarantee. In simple terms, internal auditors are expected to tell the truth and do the right thing, even when it is uncomfortable or difficult to do so and avoiding taking appropriate actions might seem easier (e.g., concealing or omitting observations from an engagement report). The best attempts to identify and measure integrity likely involve astute awareness and understanding of the Code of Ethics' rules of conduct for integrity, the IPPF's Mandatory Guidance, and supporting practices.

With regard to Rule 1.1, internal auditors should pay particular attention to information about diligence and responsibility, as described in Standard 1200 – Proficiency and Due Professional Care, Standard 1220 – Due Professional Care, and the associated implementation standards and implementation guides. Rule 1.2 requires internal auditors to observe the law and to make disclosures expected by the law and the profession. Rule 1.3 explicitly calls for internal auditors to never knowingly be a party to any illegal activity. The rule extends beyond simply illegal acts to include “acts that would be considered discreditable to the profession of internal auditing or to the organization.”

For internal auditors, behaviors that may not be illegal but may be discreditable include:

- Behavior that may be considered bullying, harassing, or discriminatory.
- Failing to accept responsibility for making mistakes.
- Issuing false reports or permitting others to do so.
- Lying.
- Making claims about one's competency in a manner that is deceptive, false, or misleading.
- Making disparaging comments about the organization, fellow employees, or its stakeholders, either in person or via media (e.g., in publications or social media posts).
- Minimizing, concealing, or omitting observations or unsatisfactory conclusions and ratings from engagement reports or overall assessments.
- Noncompliance with the *Standards* and other IPPF Mandatory Guidance.
  - Performing internal audit services for which one is not competent.
  - Performing internal audit services with undeclared impairments to independence and objectivity.
  - Soliciting or disclosing confidential information without proper authorization.

- Stating that the internal audit activity is operating in conformance with the *Standards* when the assertion is not supported by the results of the quality assurance and improvement program.<sup>1</sup>
- Overlooking illegal activities that the organization may tolerate or condone.
- Using the CIA designation or other credentials after they have expired or been revoked.

Some behavioral expectations may be codified in the policies of the internal audit activity and/or the organization (i.e., human resources and legal policies). In addition to conforming with The IIA’s Code of Ethics and other IPPF Mandatory Guidance, internal auditors should adhere to the ethics policy, code of conduct, values statement, and other policies and procedures established by the internal audit activity and the organization. Additionally, internal auditors must abide by the laws and regulations relevant to the industry and jurisdictions within which the organization operates. The CAE and internal auditors should strive to behave in a manner that is above reproach.

Internal auditors are expected to add value to the organization, and this expectation is codified in Code of Ethics Rule 1.4, which says that internal auditors shall respect and contribute to the legitimate and ethical objectives of the organization. This aspect of integrity is emphasized in the Mission of Internal Audit and throughout the IPPF. For example, internal auditors should consider how strategies and objectives align with the organization’s mission and values and should identify opportunities to make significant improvements to its governance, risk management, and control processes.

Internal auditors may support their understanding of the Code of Ethics and their ability to conform with its tenets by participating in ethics-focused continuing professional education/development (CPE/CPD). The IIA requires holders of its certifications and qualifications to complete ethics training and attest to conformance with The IIA’s Code of Ethics each reporting period. Professionals should maintain up-to-date awareness about the requirements relevant to their credentials because failing to fulfill them may jeopardize their permission to use the credentials until the deficiency is corrected.

## Considerations for Demonstrating Conformance

### Chief Audit Executive

As part of sustaining integrity, the CAE should maintain a quality assurance and improvement program and should report on the results of the program, including instances of nonconformance, to senior management and the board, in accordance with the 1300 series of standards. This evidence, along with internal audit policies and procedures, also demonstrate that the CAE’s management of the internal

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<sup>1</sup> For more information, see Implementation Guide 1321 – Use of “Conforms with the *International Standards for the Professional Practice of Internal Auditing*.”

audit activity supports its integrity. Through a quality assurance and improvement program, the CAE's conformance with the integrity principle and rules of conduct may be independently validated.

### Individual Internal Auditors

Internal auditors and the internal audit activity demonstrate integrity through adherence to the processes that support conformance with the integrity principle and its rules of conduct and through conformance with the *Standards*, especially the specific standards mentioned in this guide. Nonconformance may indicate that integrity is lacking.

Forms of acknowledgment, signed by individual internal auditors, demonstrate that internal auditors have committed to follow the organization's ethics policy or code of conduct, relevant laws and regulations, and The IIA's Code of Ethics and other IPPF Mandatory Guidance. In addition, the CAE may have records of internal auditors' participation in workshops, webinars, or meetings where ethical issues were discussed. CPE/CPD credits also provide evidence supporting an individual's commitment to maintaining and improving ethical awareness.

The internal audit activity as a whole demonstrates integrity through diligent supervision of engagements and performance of the self-assessments required by the *Standards*. Documented engagement plans, workpapers, and the results of post-engagement surveys that solicit the opinions of management and the board may indicate whether the information provided by internal auditors is useful and helps the organization reach its goals and whether communications are constructive. Additional performance metrics may indicate that work has been performed with diligence and responsibility.

### Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA's Bylaws, the Process for Disposition of Code of Ethics Violation, and the Process for Disposition of Certification Violation. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.



International Professional  
Practices Framework

# Implementation Guide

## Code of Ethics: Objectivity

### IIA Code of Ethics Principle 2: Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

#### Rules of Conduct

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### Getting Started

The *International Standards for the Professional Practice of Internal Auditing* require conformance with the Code of Ethics, comprising four principles. Each principle is accompanied by rules of conduct that internal auditors must implement to properly demonstrate the principle. This implementation guide is intended to demonstrate how to achieve conformance with the principle of objectivity.

Objectivity is so essential in the internal audit profession that it is specifically mentioned within each element of the IPPF's Mandatory Guidance and in the Mission of Internal Audit. To properly implement the Code of Ethics and the *Standards*, internal auditors must understand the term "objectivity" as it is defined in the IPPF glossary:



“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.”

The objectivity principle and related rules of conduct reflect and expand upon the IPPF’s definition of objectivity. Analyzing the words of the principle reveals that exhibiting professional objectivity involves gathering, evaluating, and communicating information about the area or process being examined in a manner that will enable a balanced assessment of all relevant circumstances. The rules of conduct and the standards related to objectivity describe specific actions internal auditors must take to implement the principle.

## Considerations for Implementation

### Chief Audit Executive

While individual internal auditors are responsible for their personal conformance with the Code of Ethics, it is perhaps especially vital for the chief audit executive (CAE), as the leader of the internal audit activity, to uphold the Code of Ethics principles and rules of conduct, thereby setting the tone for the value of ethics among the team.

To help manage threats to objectivity, as required by Standard 1100 – Independence and Objectivity,<sup>2</sup> the CAE may create relevant policies and procedures, such as a policy about internal auditors receiving gifts, favors, and rewards. Furthermore, the CAE may require internal auditors to complete a form disclosing potential conflicts of interest and impairments to objectivity, and should consider these disclosures when assigning internal auditors to engagements. In addition, when developing policies and procedures, the CAE should carefully consider how performance measures and the system of compensation may influence internal auditors’ objectivity in reporting observations and conclusions. Trainings about how internal auditors should address impairments to objectivity may be helpful also.

If a CAE is responsible for any functions other than the internal audit activity, assurance engagements related to those functions must be overseen by a party outside the internal audit activity (Standard 1130.A2). If any of the internal audit activity’s assurance and consulting work is outsourced or cosourced, the CAE is still responsible for enforcing mandatory guidance of the IPPF, including that auditors must be objective and that potential impairments to objectivity must be declared. The CAE may include such requirements in third-party provider contracts and should research the providers’ business relationships and determine whether conflicts of interest exist.

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<sup>2</sup> Standard 1100 points out that threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels. Implementation Guide 1100 and the Practice Guide “Independence and Objectivity” provide specific tips for managing threats to objectivity at each of these levels.

## Individual Internal Auditors

### Balanced Assessment

The *Standards* provide the systematic and disciplined internal audit approach for gathering, evaluating, and communicating information about the area or process under review, as required. The 2300 series of standards instructs internal auditors to perform engagements in a manner that results in a balanced assessment of all the relevant circumstances, as described in the principle.

For example, Standard 2310 – Identifying Information, Standard 2320 – Analysis and Evaluation, and Standard 2330 – Documenting Information describe the requirements for internal auditors to gather, analyze, evaluate, and document information that is sufficient, reliable, relevant, and useful and that will support the engagement results and conclusions. The respective implementation guides detail specific ways to carry out these objectives. This information should enable an engagement supervisor, CAE, external auditor, or a similarly informed individual (i.e., with sufficient information and appropriate knowledge and qualifications) to reach the same conclusions reached by the internal auditors. When others are able to review the engagement workpapers and arrive at the same conclusions as the internal auditors that conducted the engagement, there is validation that a balanced, objective review of all the relevant circumstances has been conducted.

Successfully implementing several additional standards generally results in conformance with the Code of Ethics rules of conduct related to objectivity. These include Standard 1100 – Independence and Objectivity, Standard 1120 – Individual Objectivity, Standard 1130 – Impairment to Independence or Objectivity, and related implementation standards. The implementation guides that accompany these standards and The IIA’s Supplemental Guidance and Position Papers provide thorough descriptions and examples that may help internal auditors make good decisions about potential impairments to objectivity and roles and activities appropriate to maintaining objectivity. Reviewing relevant resources may help internal auditors to better recognize, understand, and overcome innate biases and subjectivity. Several primary points are highlighted below.

### Not Unduly Influenced in Forming Judgments

The second part of the objectivity principle reiterates the second sentence of the IPPF definition of objectivity; that is, internal auditors should not be unduly influenced by others or subordinate their judgment on audit matters to others. The rules of conduct associated with objectivity clarify a few specific actions that internal auditors must take to support the maintenance of an unbiased mental attitude and the performance of engagements without quality compromises.

Rule 2.1 specifies that internal auditors shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment, including activities or relationships that may be in conflict with the interests of the organization. Standard 1120 defines “conflict of interest” as “a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest that may make it difficult to fulfill his or her duties impartially.” Examples include

excessive individual fraternizing outside of work with the organization's employees, management, third-party suppliers, and vendors. Close relationships and those involving financial ties, such as investments, that could represent conflicts of interest, whether in fact or perception, should be avoided. If unavoidable, such potential impairments to objectivity should be disclosed.

Rule 2.2 adds that internal auditors shall not accept anything that may impair or be presumed to impair their professional judgment. Examples include accepting gifts, meals, trips, and special treatment that exceed policy limits or are not disclosed and approved.

### Conflicts of Interest and Impairments

Conflicts of interest may be identified even if no unethical or improper act actually results because the conflicts themselves may create the appearance of impropriety and undermine confidence and trust in individual internal auditors, the internal audit activity, and the profession, according to Standard 1120.

Standard 1130 expands upon the concept of impairment, reiterating that impairments may exist in fact or appearance and adding details about determining the appropriate parties to which the impairments must be disclosed. For example, internal auditors must not provide assurance over an area or process for which they had responsibility within the preceding 12 months because their objectivity is presumed to be impaired (Standard 1130.A1). In this circumstance, consulting engagements are acceptable; however, before accepting the engagement, internal auditors must disclose to the consulting engagement client any potential impairments.

Not every situation is covered explicitly in the *Standards*; therefore, careful discernment is important. For example, an internal auditor desiring to accept an open opportunity to rotate into a certain department might choose not to participate in an assurance engagement in that area because a favorable assessment could appear to be biased by the auditor's desire to obtain the open position. At a minimum, the internal auditor should disclose the potential impairment to the CAE and discuss the implications.

Rule of Conduct 2.3 requires internal auditors to disclose any "material" facts about the activities under review; more specifically, that is, those facts that if not disclosed, may distort the internal auditors' reporting. Internal auditors must not hold back from reporting all the known facts pertinent to the engagement results and conclusions, even if those facts, results, or conclusions may be displeasing to senior management and the board.

Internal audit communications should be clear, factual, and objective, avoiding language that could minimize, hide, or exaggerate findings. For example, if the controls in accounts payable were unsatisfactory when last assessed, stating that the controls are just as effective as when last assessed (or that there has been no change in the control effectiveness) would be inadequate. Instead, internal auditors should mention whether recommendations and improvements have been implemented since

the last assessment and whether those changes have brought the unsatisfactory condition into a satisfactory status.

## Considerations for Demonstrating Conformance

### Chief Audit Executive

To demonstrate support for the rules related to the objectivity principle, the CAE may provide evidence of relevant policies and procedures for the internal audit activity, the requirement for internal auditors to attend meetings or trainings about objectivity, and documentation of the rationale for allocating resources to the internal audit plan, including consideration of potential impairments. To prevent violations of the objectivity principle and rules of conduct, the CAE's typically retains forms signed by internal auditors and outsourced and cosourced providers to document their consideration and disclosure of any potential conflicts of interest or impairments to objectivity. Additional evidence may include documentation of research into potential conflicts of interest related to outsourced and cosourced activities for which the CAE has responsibility, as well as signed contracts and records of services provided with the rationale and evidence supporting results, observations, and conclusions.

### Individual Internal Auditors

Evidence that internal auditors are conforming with the objectivity principle and rules of conduct and complying with policies related to objectivity includes internal auditors' timely maintenance of current, signed forms disclosing conflicts of interests or other impairments to objectivity. Engagement workpapers that have been approved by the CAE or a designated engagement supervisor may evidence that internal auditors have conducted a balanced assessment. Feedback from post-engagement surveys and supervisory reviews of engagements may provide additional evidence that the internal auditors' work appeared to be performed objectively. Assessments as part of the internal audit activity's quality assurance and improvement program also lend support that appropriate objectivity was used in arriving at internal audit conclusions and opinions.

### Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA's Bylaws, the Process for Disposition of Code of Ethics Violation, and the Process for Disposition of Certification Violation. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.



International Professional  
Practices Framework

# Implementation Guide

## Code of Ethics: Confidentiality

### IIA Code of Ethics Principle 3: Confidentiality

Internal auditors 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.

#### Rules of Conduct

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. 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.

### Getting Started

The *International Standards for the Professional Practice of Internal Auditing* require conformance with the Code of Ethics, comprising four principles. Each principle is accompanied by rules of conduct that internal auditors must implement to properly demonstrate the principle. This implementation guide is intended to demonstrate how to achieve conformance with the principle of confidentiality.

Internal auditors should start with a good understanding of their professional obligations, as expressed in the IPPF and any additional professional standards and guidance relevant to the organization and industry within which they work. Membership in professional organizations may help internal auditors stay current with relevant professional obligations.



Information includes data in physical form, such as printed documents, and in electronic form, such as audio, video, and encoded data. Confidentiality involves protecting information from being disclosed to unauthorized individuals and entities, both within and outside the organization. Internal auditors should understand the laws and regulations related to confidentiality and information security for the jurisdictions in which their organization operates, as well as knowing any policies specific to their organization and internal audit activity. Such policies may identify, for example, the type of information that may be disclosed, the parties that must authorize the disclosure, and the procedures to be followed.

Although confidentiality is not explicitly referenced in the *Standards*, requirements related to limiting the dissemination of engagement results are discussed in implementation standards 2201.A1, 2330.A1, 2330.C1, 2410.A3, and 2440.A2. Internal auditors should review those standards, their implementation guides, and relevant supplemental guidance from The IIA.

## Considerations for Implementation

### Chief Audit Executive

#### Policies and Procedures

Organizations usually issue information security policies to protect the data they acquire, use, and produce and to ensure compliance with the laws and regulations that pertain to the industry and jurisdiction within which they operate (e.g., the European Union’s General Data Protection Regulation or the EU-U.S. Privacy Shield Framework). These policies are implemented through explicit procedures and other controls and typically cover data privacy, record retention, and physical and digital security of information within and outside the organization.

To better understand the impact of legal and regulatory requirements and protections (e.g., legal privilege or attorney-client privilege), the chief audit executive (CAE) should consult with legal counsel. The organization’s policies and procedures may require that specific authorities review and approve business information before external release.

The CAE may implement additional policies, processes, and/or procedures that the internal audit activity and external consultants must follow; typically, these are closely aligned with the IPPF’s Mandatory Guidance. Internal auditors should follow the policies and procedures set by the organization and the CAE, as well as complying with any relevant laws and regulations.

To protect proprietary information, policies and procedures may require internal auditors to take the following precautions, even when handling information internally:

- Collect only the data required to perform the assigned engagement and use this information only for the engagement’s intended purposes.



- Protect information from intentional or unintentional disclosure through the use of controls such as data encryption, email distribution restrictions, and restriction of physical access to the information.
- Eliminate copies of or access to such data when it is no longer needed.

One example of information typically protected from internal disclosure is personally identifiable human resource information; for instance, individual salaries and records of reprimands or personal problems discussed with supervisors and HR personnel. Access to this information might be restricted or monitored through physical controls, such as locked filing cabinets, and through information system controls, including password protection and encryption of data. The CAE should periodically assess and confirm internal auditors' need for access to areas and databanks containing confidential information and should confirm that access controls are working effectively.

The implementation standards that accompany Standard 2330 – Documenting Information require the CAE to control access to the engagement records, in part by developing requirements for retaining the records, regardless of the medium in which each record is stored. These rules must be consistent with the organization's guidelines and any pertinent regulatory or other requirements.

Additionally, Standard 2440.A2 requires the CAE to assess the potential risk of releasing assurance engagement results and to restrict the use of assurance engagement results, except as required by laws, statutes, or regulations. Engagement reports typically contain distribution lists that are approved by the agreement of the CAE, senior management, and the board. The standard's accommodation for legal, statutory, and regulatory requirements ensures that the CAE and internal auditors are able to comply with requests by regulators and with transparency laws in public sector organizations.

### Training

During meetings or trainings of the internal audit activity, the CAE may discuss the principles, rules, policies, and expectations related to confidentiality. Internal auditors may use the opportunity to brainstorm and discuss the potential impact of sharing various types of confidential organizational information. The CAE may require internal auditors to sign a form acknowledging that they attended such sessions and understand relevant policies, procedures, and expectations. It is especially vital for the CAE, as the leader of the internal audit activity, to set the tone for the value of ethics among the team by upholding the Code of Ethics principles and rules of conduct.

### Individual Internal Auditors

Ultimately individual internal auditors are responsible for their personal conformance with the Code of Ethics. This is perhaps most evident in relation to performing internal audit engagements, during which internal auditors may receive confidential, proprietary, and/or personally identifiable information. Internal auditors may handle such information throughout the engagement (e.g., while gathering information about an activity under review and during testing).



According to Standard 2330 – Documenting Information, internal auditors must document sufficient, reliable, relevant, and useful information to support the engagement results and conclusions. Internal auditors should consider the confidentiality of this information when documenting internal audit work and observations in engagement workpapers and reports. The work program or engagement workpaper templates may include reminders about confidentiality; electronic formats may contain automated controls that required internal auditors to acknowledge such reminders before they are able to access and complete their workpaper documentation.

A few standards relevant to planning and performing engagements specifically mention the prudent use and protection of information, as described in Rule 3.1. Internal auditors planning an assurance engagement involving third parties are required to establish a written understanding of the restrictions related to the distribution of engagement results and the access to engagement records (Standard 2201.A1). When releasing the results of an assurance engagement to parties outside the organization, internal auditors must stipulate limitations regarding how the results may be distributed and used (Standard 2410.A3).

To comply with the rules of conduct related to the confidentiality principle, internal auditors must follow established procedures for disclosure, including contacting the correct authority in the organization for permission before disclosing any information. Internal auditors may do this by obtaining written permission and retaining the authorization in their workpapers.

Finally, Rule of Conduct 3.2 emphasizes that internal auditors must not use any information for personal gain. For example, internal auditors should not use insider financial, strategic, or operational knowledge of an organization to bring about personal financial gain by purchasing or selling shares in the organization. Another example is releasing insider knowledge to journalists or via other media without proper authorization. Using insider information to develop a competitive product or selling proprietary information to a competitor also violates this confidentiality rule. Furthermore, internal auditors should not abuse their privilege to access information, such as using access to customer records to look up a neighbor's recent purchases or to view the health records of a celebrity.

## Considerations for Demonstrating Conformance

### Chief Audit Executive

The CAE may demonstrate support of internal audit confidentiality through evidence of policies, processes, procedures, and training materials implemented to cover confidentiality as it applies to the internal audit activity and the organization. Minutes from meetings and/or trainings where confidentiality was discussed with members of the internal audit activity also evidence the CAE's work to support conformance.





Regarding the release of engagement results, reports, or related information, the CAE demonstrates conformance with the confidentiality principle and rules of conduct by documenting and retaining records of disclosures approved by legal counsel, if applicable, and by senior management and the board. The CAE evidences control of access to records by documenting and communicating internal audit policies and procedures and by implementing mechanisms that restrict access and mitigate the risk of circumventing or otherwise violating these controls.

### Individual Internal Auditors

Records of attendance at trainings on confidentiality should be retained, with internal auditors' signatures acknowledging their understanding of confidentiality and relevant policies, procedures, laws, and regulations. Internal auditor performance reviews also may include feedback about whether internal auditors have followed policies and procedures related to confidentiality and the disclosure of information.

Internal auditors demonstrate conformance with engagement record confidentiality by documenting distribution restrictions in engagement workpapers and reports and by retaining authorizations of all disclosures and approved distribution lists. A signed acknowledgment attesting that engagement-related information has been kept confidential may be retained within the work program.

If there are no reports or investigations of individual auditors violating policies, procedures, and rules related to confidentiality, then it is likely that the internal audit activity as a whole is in conformance with the principle.

### Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA's Bylaws, the Process for Disposition of Code of Ethics Violation, and the Process for Disposition of Certification Violation. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.



International Professional  
Practices Framework

# Implementation Guide

## Code of Ethics: Competency

### IIA Code of Ethics Principle 4: Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

#### Rules of Conduct

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.

### Getting Started

The *International Standards for the Professional Practice of Internal Auditing* require conformance with the Code of Ethics, comprising four principles. Each principle is accompanied by rules of conduct that internal auditors must implement to properly demonstrate the principle. This implementation guide is intended to demonstrate how to achieve conformance with the principle of competency.

The IPPF provides mandatory and recommended guidance to further support the implementation of the Code of Ethics. The importance of the competency principle is evidenced by its inclusion not only in the Code of Ethics but also in the Core Principles for the Professional Practice of Internal Auditing and throughout the *Standards*.



The Code of Ethics applies to both individuals and entities that perform internal audit services. This statement is particularly pertinent to the competency principle and its rules of conduct. For example, Rule 4.2 states that internal audit services must be performed in accordance with the *Standards*. Several standards apply specifically to individual internal auditors. Other standards apply to the internal audit activity as a whole or describe the responsibilities of the chief audit executive (CAE). Individual internal auditors are responsible for their own conformance with the competency principle, rules of conduct, and relevant standards and for obtaining the knowledge, skills, and experience needed to perform their responsibilities and to continually improve their proficiency and quality of service. However, the CAE is responsible for ensuring the competency of the internal audit activity as a whole.

## Considerations for Implementation

### Chief Audit Executive

The CAE responsibilities relevant to internal audit competency are detailed in Standard 1210 – Proficiency, Standard 1210.A1, Standard 2030 – Resource Management, and Standard 2050 – Coordination and Reliance. To conform with the requirements described therein, the CAE should develop a staffing strategy that includes tools and processes to regularly assess the competencies of individual internal auditors, the internal audit activity as a whole, and any assurance and consulting service providers upon which the internal audit activity relies.

The CAE should inventory the skills and experience of individual auditors, align them with the competencies needed to fulfill the internal audit plan, and identify any gaps in coverage. The CAE may address deficiencies by providing training and mentorship, rotating internal audit staff, bringing in guest auditors, and/or hiring external service providers.

To support individual internal auditors in their fulfillment of Rule 4.3 — continual improvement of their proficiency and the effectiveness and quality of their services — the CAE should develop policies and procedures that include regularly reviewing individual performance (e.g., annually or semiannually), which may involve benchmarking and/or reviewing key performance indicators. The CAE also should encourage educational and training opportunities when possible (e.g., attendance at professional conferences and seminars and the pursuit of relevant professional certifications).

To promote the continual improvement of the internal audit activity as a whole, the CAE should implement a quality assurance and improvement program, which is covered by the 1300 series of standards. Additionally, the CAE may use The IIA's Competency Framework to benchmark the maturity of the internal audit activity and work toward its progress over time. Together, these elements may work synergistically to support the internal audit activity in applying and upholding The IIA's Code of Ethics and the *Standards*.

## Individual Internal Auditors

Implementing Rule 4.1 requires internal auditors to engage only in those services for which they have the necessary knowledge, skills, and experience. Standard 1210 – Proficiency and its accompanying implementation guide explain these qualities and how internal auditors can build and maintain them. Standard 1210.A2 qualifies internal audit proficiency as it relates to fraud, and Standard 1210.A3 calls out internal audit proficiency related to key IT risks and controls and available technology-based audit techniques.

To gain insight into their level of competency, proficiency, and effectiveness and to find areas for potential growth, internal auditors should regularly assess themselves. The IIA's Competency Framework may be a useful benchmarking tool for this purpose. In addition, internal auditors should seek constructive feedback from peers, supervisors, and the CAE. Feedback may be given throughout engagements, during supervisory reviews of workpapers, and/or after closing engagements and may involve a combination of informal communication and formal processes established by the CAE. The overall work performance of individual internal auditors may be reviewed at regular intervals, such as annually or semiannually.

Internal auditors assigned to plan individual engagements must determine the competencies needed to achieve the engagement objectives (Standard 2230 – Engagement Resource Allocation). In engagement workpapers, internal auditors conducting an engagement may document their rationale for the resource allocation. If appropriate and sufficient resources are not available, internal auditors should consult with the CAE and document the results of the discussion. It may be necessary to seek additional resources outside the internal audit activity. Implementation Guide 1210 – Proficiency provides more recommendations.

Internal auditors may build their competencies by pursuing educational and mentorship opportunities and supervised work experiences that enable them to expand their skills. Properly supervised internal audit engagements play a large role in facilitating the development of internal auditors because most internal audit activities have limited resources.

For instance, an internal auditor may have a thorough understanding of risks, risk assessments, controls, and internal audit methodologies but may lack subject matter expertise in specialty areas or processes to be assessed. In such a case, the internal auditor may work with an appropriate subject matter expert to better understand the area or process and build relevant business acumen.

In other circumstances, special personnel hired for their deep subject matter expertise in certain areas or processes may lack proficient internal audit skills. In the latter scenario, an experienced internal auditor (e.g., engagement supervisor) should work closely with the special personnel to ensure the engagement is performed with sufficient internal audit competency. Both approaches will help increase



business and organizational knowledge among internal auditors and contribute to broadening the business acumen and strategic insights of the internal audit activity.

Rule 4.3 requires internal auditors to continually improve their proficiency and the effectiveness and quality of their services. This requirement is reiterated in Standard 1230 – Continuing Professional Development, with options for fulfilling this requirement described in the associated implementation guide. Individual internal auditors bear the responsibility for taking the necessary actions to obtain any continuing professional education and development (CPE/CPD) hours they may need. To track their progress, internal auditors may create and maintain plans for their professional development.

Professionals should be aware of the current requirements for maintaining the active status of any credentials they may hold, because failing to fulfill such requirements may jeopardize permission to use the credentials until the deficiency is corrected. Most certifications and qualifications, like those of The IIA, require the completion of ethics training and continuing professional education/development.

## Considerations for Demonstrating Conformance

### Chief Audit Executive

The CAE may demonstrate conformance with the competency principle through a documented assessment of the competencies of the internal auditors and other assurance and consulting service providers upon which the internal audit activity relies. Conformance may also be evidenced through a documented internal audit plan, an inventory of the competencies needed to fulfill the plan, and a related gap analysis. The CAE may demonstrate a culture supportive of competency and the continual improvement of proficiency, effectiveness, and quality through evidence that:

- Engagements have been properly resourced and supervised.
- Feedback has been solicited from internal audit stakeholders and sufficiently considered.
- Performance reviews of internal auditors have been conducted regularly.
- Opportunities for training, mentoring, and professional education have been provided.
- A quality assurance and improvement program is active.
- Internal audit services are performed in conformance with the IPPF's Mandatory Guidance.

### Individual Internal Auditors

The knowledge, skills, and experience of individual internal auditors may be evidenced, in part, through credentialed qualifications, such as university degrees and certifications, and relevant work history as detailed on the internal auditor's resume, which the CAE and/or the organization's human resources department should have on file. Additionally, internal auditors may maintain documentation of a skills



self-assessment, a plan for professional development, and the completion of continuing professional education/development courses or trainings.

Internal auditors also may provide evidence of experiences undertaken — such as specific work assignments (i.e., on-the-job training) or volunteering in professional organizations — to expand their competencies. Pursuing and completing professional education, whether new certifications or continuing professional education, further evidences an internal auditor’s commitment to continually improving their proficiency and the effectiveness and quality of their services.

### Applicability and Enforcement of the Code of Ethics

This Code of Ethics applies to both entities and individuals that perform internal audit services.

For IIA members and recipients of or candidates for IIA professional certifications, breaches of the Code of Ethics will be evaluated and administered according to The IIA’s Bylaws, the Process for Disposition of Code of Ethics Violation, and the Process for Disposition of Certification Violation. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable, and therefore, the member, certification holder, or candidate can be liable for disciplinary action.

## About The IIA

The Institute of Internal Auditors (The IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 190,000 members from 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit [www.globaliia.org](http://www.globaliia.org).

## About Implementation Guidance

Implementation Guidance, as part of The IIA's International Professional Practices Framework® (IPPF®), provides Recommended Guidance (nonmandatory) for the internal audit profession. It is designed to assist both internal auditors and internal audit activities to enhance their ability to achieve conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Implementation Guides describe considerations that may be applied and actions that may be taken to implement The IIA's Mandatory Guidance. Implementation Guides do not detail programs, processes, procedures, or tools.

For other authoritative guidance materials provided by The IIA, please visit our website at <https://globaliia.org/standards-guidance>.

## About The IIA's Code of Ethics

The IIA's Code of Ethics comprises two essential components:

- Four principles relevant to the profession and practice of internal auditing.
- Rules of conduct for each principle that describe behavioral norms expected of internal auditors.

The purpose of The IIA's Code of Ethics is to promote an ethical culture in the profession of internal auditing.

The complete Code of Ethics may be found at <https://globaliia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx>.

## Disclaimer

The IIA publishes this document for informational and educational purposes. This guidance material is not intended to provide definitive answers to specific individual circumstances. The IIA recommends seeking independent expert advice related to specific situations. The IIA accepts no responsibility for anyone placing sole reliance on this guidance.

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